上海君實生物醫藥科技股份有限公司
Shanghai Junshi Biosciences Co., Ltd.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock code: 1877

2019
Interim Report

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

Executive Directors
Mr. Xiong Jun *(Chairman and Legal Representative)*
Dr. Li Ning *(Chief Executive Officer and General Manager)*
Dr. Feng Hui
Mr. Zhang Zhuobing
Dr. Wu Hai
Dr. Yao Sheng

Non-executive Directors
Mr. Tang Yi
Mr. Li Cong
Mr. Yi Qingqing
Mr. Lin Lijun

Independent Non-executive Directors
Dr. Chen Lieping
Dr. He Jia
Mr. Chen Xinjun
Mr. Qian Zhi
Dr. Roy Steven Herbst

Supervisors
Mr. Wu Yu *(chairman of the Board of Supervisors)*
Ms. Nie Anna *(appointed on 7 May 2019)*
Ms. Li Ruolin *(appointed on 7 May 2019)*
Mr. Liu Jun *(appointed on 17 June 2019)*
Ms. Wang Pingping

Audit Committee
Dr. He Jia *(Chairman)*
Mr. Chen Xinjun
Mr. Qian Zhi
Mr. Li Cong

Nomination Committee
Mr. Xiong Jun *(Chairman)*
Mr. Chen Xinjun
Mr. Qian Zhi

Remuneration Committee
Dr. He Jia *(Chairman)*
Mr. Xiong Jun
Dr. Li Ning
Mr. Chen Xinjun
Mr. Qian Zhi

Strategic Committee
Mr. Xiong Jun *(Chairman)*
Dr. Li Ning
Dr. Chen Lieping
Dr. He Jia
Dr. Roy Steven Herbst

Joint Company Secretaries
Ms. Chen Yingge
Ms. Yuen Wing Yan Winnie

Authorized representatives
Dr. Li Ning
Ms. Chen Yingge

Registered address, headquarters and principal place of business in the PRC
Level 13, Building 2, Nos. 36 and 58, Hai Qu Road, China (Shanghai) Pilot Free Trade Zone, the PRC

Principal place of business in Hong Kong under part 16 of the Companies Ordinance
Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

H share registrar
Tricor Investor Services Limited
Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

Compliance adviser
Somerley Capital Limited

CORPORATE INFORMATION

Legal advisers
Jones Day (as to Hong Kong law)
Jia Yuan Law Offices (as to PRC law)

Auditor
Deloitte Touche Tohmatsu
Certified Public Accountants

Listing
H Shares on Hong Kong Stock Exchange (Stock code: 01877)
Domestic Shares on NEEQ (Stock code: 833330)

Number of Shares
784,146,500 Shares (including 601,400,000 Domestic Shares and 182,746,500 H Shares)

Board lot of H Shares
200 H Shares

Company's website
www.junshipharma.com

Investor information
Corporate press releases, financial reports and other investor information on the Group are available on the website of the Company

As of 23 September 2019

HIGHLIGHTS

IFRS

	For the six months ended 30 June		
	2019	2018	Changes
	RMB'000	RMB'000	%
	(Unaudited)	(Audited)	
Operating Results			
Revenue	**309,306**	–	–
Gross profit	**268,727**	–	–
Selling and distribution expenses	**(110,687)**	–	–
Research and development expenses	**(368,737)**	(217,778)	69.32
Administrative expenses	**(102,639)**	(49,792)	106.14
Total comprehensive expense for the period	**(289,347)**	(267,385)	8.21
Loss per share			
From continuing and discontinued operations			
Basic (RMB yuan)	**(0.37)**	(0.46)	(19.57)
Diluted (RMB yuan)	**(0.37)**	(0.46)	(19.57)

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)	Changes %
Financial Position			
Non-current assets	**1,865,284**	1,347,126	38.46
Current assets	**2,775,905**	2,910,184	(4.61)
Total assets	**4,641,189**	4,257,310	9.02
Non-current liabilities	**496,939**	465,112	6.84
Current liabilities	**712,706**	471,065	51.30
Total liabilities	**1,209,645**	936,177	29.21
Net assets	**3,431,544**	3,321,133	3.32

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are an innovation-driven biopharmaceutical company dedicated to the discovery and development of innovative drugs and their clinical research and commercialisation on a global scale. Since our very inception in December 2012, leveraging our advanced R&D platforms and globally integrated R&D process, we have developed a collection of drug candidates that we believe to have solid biological mechanisms. We strive to develop additional drug candidates for the fulfilment of unmet medical needs using our technology and innovation platforms in a sustainable manner.

Our mission is to provide patients with treatment options that work better and cost less. Equipped with our core platform technology of protein engineering, we stand at the frontier of R&D of macromolecular biologics.

Our aim is to develop first-in-class and best-in-class drugs through original innovation and become a pioneer in the area of translational medicine. As we supplement our product pipeline and explore drug combination therapies, we expect our innovation field to expand to R&D of more types of drugs, including small molecule drugs and antibody drug conjugates (or ADCs), as well as the exploration of the next-generation innovative therapies for cancer and autoimmune diseases.

PROGRESS OF PIPELINE

Disease Areas	Candidates	Targets	Indications	Pre Clinical	Phase I	Phase II	Phase III	NDA	Origins
Oncology	JS001 (Toripalimab)	PD-1	Urothelial carcinoma, melanoma, mucosal melanoma, non-small cell lung cancer, triple negative breast carcinoma, esophageal carcinoma, nasopharyngeal cancer, hepatocellular carcinoma, solid tumors	NDA approved on 17 December 2018					In House
	JS003	PD-L1	Solid tumors	IND approved in August 2018					In House
	JS004	BTLA	Melanoma, lung cancer, lymphoma	IND approved on 18 April 2019					In House
	JS006	TIGIT	Solid tumors						In House
	JS007	CTLA-4	Lung cancer, melanoma						In House
	JS009	(Undisclosed)	(Undisclosed)						In House
	JS011	(Undisclosed)	(Undisclosed)						In House
	JS012	(Undisclosed)	(Undisclosed)						In House
	JS101	Pan-CDK	Breast cancer	IND approved in November 2018					In House
	JS104	Pan-CDK	Breast cancer	In licensing in February 2019					Co-development[1]
	JS105	PI3K-α	Breast cancer, kidney cancer, Hodgkin's lymphoma	In licensing in February 2019					Co-development[1]
	JS501	VEGF	Colon cancer, non-small cell lung cancer	In licensing in June 2019					50% in-licensing[2]
	JS014	IL-21	Solid tumors	In licensing in June 2019					Co-development[3]
Metabolic	JS002	PCSK9	Hyperlipidemia						In House
	JS008	(Undisclosed)	(Undisclosed)						In House
Auto-immunity	JS005	IL17A	Psoriasis	IND approved in August 2019					In House
	UBP1211	TNF-α	Rheumatoid arthritis, psoriatic arthritis, psoriasis	NDA filing in preparation					Biosimilar
	UBP1213	BLyS	Systemic lupus erythematosus	IND approved in November 2016					Co-development[4]
Neurologic	JS010	(Undisclosed)	(Undisclosed)						In House

■ Macromolecule
■ Small Molecule

[1] For further details, please refer to the Company's announcement dated 19 February 2019.
[2] For further details, please refer to the Company's announcement dated 24 June 2019.
[3] For further details, please refer to the Company's announcement dated 24 June 2019.
[4] For further details, please refer to page 217 of the Company's Prospectus.

As of now, we have developed a product pipeline comprising 19 drug candidates which covers a wide variety of disease areas associated with high levels of unmet medical needs, using our core platforms and through collaborations with third parties. They include 13 oncology drug candidates, 2 drug candidates for metabolic diseases, 3 targeting inflammation or auto-immune diseases and 1 for the treatment of neurologic diseases.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. Key events during the Reporting Period

During the Reporting Period, the Company has achieved several breakthroughs with respect to the commercialisation of our core product Toripalimab (JS001), R&D, clinical trials programs, pipeline development programs and drugs in-licensing.

In January 2019, the clinical trial application for Toripalimab (JS001) in combination with the Vorolanib (CM082) of Anew Pharmaceutical Science and Technology (Shanghai) Co., Ltd.*, a wholly-owned subsidiary of Betta Pharmaceuticals Co., Ltd. (Shenzhen Stock Exchange stock code: 300558) was approved by the NMPA. CM082 is a multi-target receptor tyrosine kinase (RTKs) inhibitor against VEGFR and PDGFR targets that inhibits neovascularization and tumor growth and can overcome the high toxic side effects common to similar targeted drugs. For further details, please refer to the Company's announcement dated 17 January 2019.

In February 2019, Toripalimab (JS001) and donafenib tosylate (CM4307) were proposed to be used in combination in the clinical study on the treatment of advanced hepatocellular carcinoma. CM4307 is a new multi-target kinase type 1 inhibitor chemical drug developed by 蘇州澤璟生物製藥有限公司 (Suzhou Zelgen Biopharmaceuticals Co., Ltd.*) which displays antineoplastic effect in two ways. For further details, please refer to the Company's announcement dated 14 February 2019.

In February 2019, the Company and 潤佳（蘇州）醫藥科技有限公司 (Risen (Suzhou) Pharma Co., Ltd.*) ("**Risen**") signed a Technology Transfer and Collaboration Agreement, pursuant to which Risen agreed to transfer 50% interest in each of the two inhibitors (a pan CDK inhibitor and a PI3K - inhibitor). The entering into of the Technology Transfer and Collaboration Agreement and the transactions contemplated thereunder constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For further details, please refer to the Company's announcement dated 19 February 2019.

In March 2019, IND for TAB004 or JS004 was accepted by the FDA and it was approved in April 2019. TAB004 or JS004 is a first in human recombinant humanized monoclonal antibody injection specifically to B- and T-lymphocyte attenuator (BTLA), which is intended for the treatment of advanced unresectable or metastatic solid tumors. For further details, please refer to the Company's announcements dated 25 March 2019 and 22 April 2019.

In April 2019, the Company and Jiangsu Ascentage Pharma Co., Ltd. ("**Ascentage**") entered into a cooperation agreement, pursuant to which the Company and Ascentage agreed to conduct clinical studies for the combination of Toripalimab (JS001) and IAP Inhibitor in mainland China. The cooperation areas shall include solid tumors and hematomas, especially refractory tumors, drug-resistant tumors and other indications in China. For further details, please refer to the Company's announcement dated 8 April 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

From 1 June to 3 June 2019, the following, were presented in the form of posters or poster discussions at the American Society of Clinical Oncology, ASCO 2019: the interim results of Toripalimab (JS001) from the Phase II pivotal trial (NCT02915432) in China in patients with NPC, the preliminary results of Toripalimab (JS001) from the Phase II pivotal trial (NCT03113266) in China in patients with urothelial carcinoma (UC) and two analyses from the Phase II trial (NCT02915432) of solid tumors including "Tumor mutational burden identifies chemorefractory gastric cancer with overall survival advantage after receiving Toripalimab (JS001)" and "Association of frequent amplification of chromosome 11q13 in esophageal squamous cell cancer with clinical benefit to immune check point blockade".

In June 2019, the IND for JS005 was accepted by the NMPA. JS005 is the recombinant humanized anti-IL-17A monoclonal antibody injection independently developed by the Group. For further details, please refer to the Company's announcement dated 24 June 2019.

In June 2019, the Company entered into a stock purchase agreement with Anwita Biosciences, Inc. ("**Anwita**"). Meanwhile, the Company and Anwita entered into a license agreement to develop and commercialize AWT008 (a novel IL-21 fusion protein), in the greater China region (including mainland China, Taiwan, Macau, and Hong Kong). IL-21 is an active cytokine to stimulate the activation of innate and adaptive immune cells, such as natural killer (NK) cells and cytotoxic T cells. For further details, please refer to the Company's announcement dated 24 June 2019.

In June 2019, the Company entered into a Technology Transfer and Cooperative Agreement with Shanghai HUAOTA Biological Pharmaceutical Co., Ltd. ("**HUAOTA**"), pursuant to which, the Company agreed to purchase the existing R&D results of Avastin biosimilar (HOT-1010) from HUAOTA and subsequent technical support. HOT-1010 is a recombinant humanised anti-vascular endothelial growth factor (VEGF) monoclonal antibody injection, which has received clinical trial approval from the NMPA and is in Phase I clinical trial. For further details, please refer to the Company's announcement dated 24 June 2019.

During the Reporting Period, our Wujiang Production Base in Suzhou completed its capacity upgrade, and its commercial capacity was expanded from 3 × 500L to 6 × 500L bioreactors. Also, we have completed major equipments installation of our Lingang Production Base in Shanghai and we expect manufacturing and validation of drug products to begin in second half of 2019. The expansion increased our total production capacity to 33,000L, and will provide us additional capacity to support commercial production and clinical trials. We expect both production bases to provide us with sufficient manufacturing capacity to support our growth.

JS001 (anti-PD-1 mAb, Toripalimab)-Tuoyi (拓益)*

Up to now, the Company has conducted or has been ready to conduct 11 Phase II/Phase III pivotal clinical trials of the monotherapy or in combination with standard therapy for advanced melanoma, advanced esophageal cancer, adjuvant treatment of advanced hepatocellular carcinoma, non-small cell lung cancer, advanced nasopharyngeal cancer and urothelial carcinoma. Phase Ia clinical trial in the United States has been completed and Phase Ib is on-going. The Company is expanding its cooperation with more third parties to further explore the various efficacy and safety of Toripalimab in combination therapy.

MANAGEMENT DISCUSSION AND ANALYSIS

The following chart summarises major clinical trials development status of JS001 as of now:

Areas	Indications	IND	Phase Ia	Phase Ib	Phase II	Phase III	NDA	NCT Number	Remarks
China	Melanoma(2L)							NCT03013101	Mono therapy, Commercialized
	Melanoma(1L)							NCT03430297	Mono therapy, pivotal trial
	Nasopharyngeal carcinoma							NCT02915432	Mono, single-arm pivotal trial
Asia Pacific	Nasopharyngeal carcinoma(1L)							NCT03581786	Combo with chemo, pivotal trial
China	Urothelial carcinoma							NCT03113266	Mono, single-arm pivotal trial
	Esophagus carcinoma							NCT03829969	Combo with chemo, pivotal trial
	TNBC							*	Combo with albumin-bound paclitaxel, pivotal trial
	NSCLC(EGFR-)							NCT03856411	Combo with chemo, pivotal trial
	NSCLC(EGFR-TKI failed)							NCT03924050	Combo with chemo, pivotal trial
	NSCLC(Neoadjuvant)							*	Pivotal trial, ready to conduct
	SCLC							NCT04012606	Combo with chemo, pivotal trial
	HCC(adjuvant)							NCT03859128	Mono, Pivotal trial
U.S.	Solid Tumors							NCT03474640	6 indications

* In planning phase

Abbreviations: 2L=second line; 1L=first line; TNBC=triple negative breast cancer; NSCLC=non-small cell lung cancer; SCLC=small cell lung cancer; HCC=hepatocellular carcinoma

Our arrangements for JS001 mainly include: with reference to the product characteristics, clinical data and prescription information, we establish the brand image of Tuoyi* (拓益) and set up effective marketing strategies and plans. In view of market potential and product characteristics, we will carry out meaningful Investigator Sponsored Study ("**ISS**") and Real World Study ("**RWS**") to find the best immune tumor program.

As of now, we have nearly 300 employees in the Commercial Marketing Department with a majority of them from oncology department of international and multinational corporations such as Roche, AstraZeneca and Bayer, as well as other well-known domestic companies. We will work on the training and expansion of professional sales personnel.

UBP1211 (anti-TNF- α mAb; Humira Biosimilar)

UBP1211, the first biosimilar developed by the Group, has finished Phase I and Phase III clinical trials. Phase III clinical results showed that UBP1211 and Humira were equivalent in Pharmacokinetics and effectiveness, and the safety profiles were similar. The Company is about to submit NDA soon.

JS002 (anti-PCSK9 mAb)

JS002 is the first domestic anti-PCSK9 monoclonal antibody approved by the NMPA for clinical trials for the treatment of hyperlipidemia in the PRC. As of the date of this report, JS002 has completed Phase I clinical trial in healthy volunteers in China and we are conducting Phase II clinical trial in patients with hyperlipidemia. Also, preparations for Phase III clinical studies in a wider patient population are being initiated. Based on the clinical research data, JS002 showed satisfactory safety and tolerability profile. No serious adverse events ("**SAE**") or any withdrawal due to adverse events ("**AE**") were reported during the study. In terms of lowering LDL-C, JS002 showed a comparable lipid reduction and longer duration compared with products of the same target.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Subsequent events after the Reporting Period

In July 2019, we intended to enter into a collaboration agreement with Suzhou Sinovent Pharmaceuticals Co., Ltd. ("**Sinovent**"). According to the agreement, Sinovent intends (as a sponsor) to carry out the drug combination clinical trials of Toripalimab and XNW7201 in the treatment of digestive tract tumors (including esophageal cancer, gastric cancer and colorectal cancer) in mainland China. For further details, please refer to the Company's announcement dated 31 July 2019.

In February 2018, the Company issued the 2018 Convertible Bonds in a principal amount of RMB200 million. The 2018 Convertible Bonds were listed on the Shanghai Stock Exchange. Further details of the 2018 Convertible Bonds and its terms are set out in the section headed "Our History and Development" of the Prospectus. If the Company applies to its local securities regulatory bureau for guidance on the listing and offering of A shares and such application has been accepted, the Company is entitled to redeem the outstanding 2018 Convertible Bonds at nominal value together with accrued interests thereon. The Company submitted its listing counseling materials to the Shanghai Supervisory Commission of the CSRC on 25 April 2019, and exercised its right of early redemption and fully redeemed the outstanding 2018 Convertible Bonds in the aggregate principal amount of RMB200 million. The 2018 Convertible Bonds have been fully redeemed and delisted from the Shanghai Stock Exchange from 8 July 2019. Further details of the redemption are set out in the Company's announcements dated 25 June 2019 and 26 June 2019.

In August 2019, the clinical results of Tuoyi* (拓益) (Toripalimab injection) in combination with Axitinib in patients with metastatic mucosal melanoma: an open-label Phase Ib trial were published in the Journal of Clinical Oncology (IF: 28.245).

In August 2019, the abstract of "a PII Study of Toripalimab, in Combination with Chemotherapy in EGFR+ Advanced NSCLC Patients Failed to Prior EGFR TKI therapies" (NCT03513666) was released on World Conference on Lung Cancer, WCLC official website. Also, a mini oral about this study was presented on this conference on 9 September 2019.

In August 2019, recombinant humanized anti-IL-17A monoclonal antibody injection (JS005) received clinical trial approval from the NMPA.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue reached RMB309 million during the Reporting Period, mainly due to the commercialisation of PD-1 (Toripalimab) in the first half of 2019. RMB308 million of our revenue was attributed to the sales of PD-1.

Other income

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Continuing operations		
Interest income from bank and time deposits	**11,815**	1,615
Government grants *(Note)*	**708**	1,020
	12,523	2,635

Note: Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery, which are recognised as income over the useful life of the related assets; (ii) the incentive and other subsidies for research and development activities of the Group upon meeting the attached conditions and (iii) the incentives which have no specific conditions attached to the grants.

Research and Development Expenses

Our R&D expenses mainly include clinical trial expenses, preclinical study costs, reagents and consumables, staff salary and welfare and depreciation and amortisation. For the six months ended 30 June 2018 and 2019, we incurred R&D expenses in the amount of approximately RMB217.8 million and RMB368.7 million, respectively. The significant increase in our R&D expenses was mainly due to (i) increases in clinical trial expenses and preclinical study costs, as we initiated a number of preclinical research and clinical trials for several new indications and accelerated the progress of clinical trials; (ii) increases in our staff salary and welfare for R&D personnel, which was primarily due to the increase in the number of our R&D staff.

Selling and Distribution Expenses

Our selling and distribution expenses mainly include selling staff costs, marketing and promotion activities and travelling cost. For the six months ended 30 June 2019, our selling and distribution expenses were RMB110.7 million due to the mounting sales and marketing activities for the PD-1 commercialisation.

Administrative Expenses

Our administrative expenses primarily consist of administrative staff costs, office administration expenses, depreciation and amortisation and audit and consultancy fees. For the six months ended 30 June 2018 and 2019, our administrative expenses were RMB49.8 million and RMB102.6 million, respectively. The significant increase was in line with business expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2019, our bank balance and cash was RMB2,295.9 million compared to RMB2,763.6 million as at 31 December 2018. The decrease was mainly due to our R&D investment, in production base in Lingang and repayment of loans.

The Company has foreign currency in bank balances, other receivables and trade and other payables, which expose the Group to foreign currency risk. The Group does not have a foreign currency hedging policy or implement any hedging instruments currently. However, the management will monitor foreign exchange exposure and risks.

Foreign currency bank balances at 30 June 2019 are:

	'000
HKD	**236**
USD	**270,844**

INTEREST IN AN ASSOCIATE

On 19 March 2019, the Group acquired 36.71% equity interest of Suzhou Ruiming Bioscience Technology Limited ("**SRBT**") for a cash consideration of RMB2,900,000. Upon the completion of the transaction, SRBT became an associate of the Group.

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Cost of investment in an associate	**2,900**	–
Share of post-acquisition loss and total comprehensive expense	**(160)**	–
	2,740	–

MANAGEMENT DISCUSSION AND ANALYSIS

DISCONTINUED OPERATIONS AND DISPOSAL OF A SUBSIDIARY

In April 2018, the shareholder of Beijing Junke Jingde Biotechnology Co., Ltd.* (a non-wholly owned subsidiary of the Company), resolved to dispose of the segment of sales of biological reagent. The Group entered into a sales and purchase agreement with an independent third party to dispose of its entire interest in Beijing Xinjingke Biotechnology Co., Ltd.* ("**Xinjingke**") for a cash consideration of RMB2.0 million. The disposal was completed on 29 June 2018, on which date control of Xinjingke was passed to the acquirer. The reason for the disposal was that the Group can concentrate its resources on development and documentation of drugs.

The profit for the period ended 30 June 2018 from the discontinued operations is RMB0.1 million.

The Group did not have any discontinued operations or disposed subsidiaries during the Reporting Period.

DIVIDENDS

No dividend was paid, declared or proposed during both periods. The directors of the Company have determined that no dividend will be paid in respect of the Reporting Period.

LOSS PER SHARE

(a) Basic

From continuing and discontinued operations

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(289,189)**	(272,786)

Number of shares:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Audited)
Weighted average number of ordinary shares for the purpose of basic loss per share	**783,092,953**	595,420,718

MANAGEMENT DISCUSSION AND ANALYSIS

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Loss for the period attributable to owners of the Company	**(289,189)**	(272,786)
Less: Profit for the period from discontinued operations attributable to owners of the Company	**–**	89
Loss for the period for the purpose of basic loss per share from continuing operations	**(289,189)**	(272,875)

From discontinued operations

Basic earnings per share for the discontinued operations is RMB0.01 cent (audited) for the six months ended 30 June 2018, based on the profit for the period from the discontinued operations of RMB89,000 (audited) for the six months ended 30 June 2018, and the denominators detailed above for the basic loss per share from continuing and discontinued operations.

(b) Diluted

The Group issued the convertible loan notes on 23 February 2018. For the purpose of calculation of diluted loss per share, it did not assume conversion of the convertible loan notes since their assumed conversion would result in a decrease in loss per share.

The Group granted share options on 14 May 2018 and over-allotment options as per underwriting agreement entered into on 16 December 2018. The over-allotment options were exercised in January 2019. The computation of diluted loss per share for the periods ended 30 June 2019 and 2018 does not assume the exercise of the Company's outstanding share options and over-allotment share options since their assumed exercise would result in a decrease in loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE RECEIVABLES

The Group allows an average credit period from 30 to 45 days to its trade customers.

The following is an analysis of trade receivables by age (net of loss allowance) presented based on invoice dates.

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
0 to 30 days	**119,594**	–
31 to 90 days	**17,593**	–
	137,187	–

TRADE AND OTHER PAYABLES

Payment terms with suppliers are mainly with credit term of 15 to 60 days (2018: 15 days to 60 days) from the time when the goods and services are received from the suppliers. The following is an aging analysis of trade payables presented based on invoice date at the end of the Reporting Period:

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
0 to 30 days	**35,912**	33,372
31 to 60 days	**5,334**	198
61 to 180 days	**3,068**	81
Over 180 days	**3,116**	6,527
	47,430	40,178

MANAGEMENT DISCUSSION AND ANALYSIS

INDEBTEDNESS

Borrowings

As at 30 June 2019, the Group had an aggregate interest-bearing bank borrowings of approximately RMB550.2 million. Among which RMB480.1 million bears fixed interests and RMB70.1 million bears a variable interest rate at 30% above the People's Bank of China benchmark lending interest rate for one year borrowings.

Unsecured borrowings

As at 30 June 2019, we had unguaranteed and unsecured bank borrowings of RMB159.6 million, and unutilised banking facilities of RMB840.4 million available for drawdown within credit lines. The Group incurred new borrowings to: i) on-going clinical trials and preclinical studies for our drug candidates; and ii) JS001 commercialization and daily operation expenses.

Secured borrowings

In May 2019, we entered a four-year loan facility of up to RMB500.0 million with the Bank of Shanghai with RMB350.0 million more credit facility to substitute for the former loan agreement of RMB150.0 million. As of 30 June 2019, we drew down RMB390.6 million of guaranteed and secured loan under such facility.

The loan is guaranteed by the Company and our subsidiary Suzhou Union Biopharm, and secured by mortgages over our property, plant and equipment situated in Shanghai Lingang and Wujiang Economic and Industrial Development Zone held by our subsidiaries Junshi Biotechnology and Suzhou Union Biopharm.

As at 30 June 2019, the Group has pledged the following assets as securities for the Group's bank borrowings:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Property, plant and equipment	**1,026,520**	775,938
Prepaid lease payments (Note)	**–**	62,915
Right-of-use assets (Note)	**61,168**	–
	1,087,688	838,853

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, prepaid lease payments were reclassified to right-of-use assets.

MANAGEMENT DISCUSSION AND ANALYSIS

The maturity profile of bank and other borrowings is as follows:

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
– within one year	159,955	178,632
– within a period of more than one year but not exceeding five years	390,256	150,000
Total	550,211	328,632

All bank and other borrowings are denominated in RMB as at 30 June 2019.

Convertible Loan Notes

On 9 February 2018, the Company obtained no objection letter from the Shanghai Stock Exchange for the issue of convertible loan notes in a principal amount of no more than RMB500.0 million. On 23 February 2018, the Company issued convertible loan notes in a principal amount of RMB200.0 million to qualified investors.

The movement of the convertible loan notes for the period is set out as below:

	Fair value of convertible loan notes RMB'000
At 23 February 2018 (date of issuance)	200,000
Change in fair value charged to profit or loss	9,601
At 30 June 2018 and 1 July 2018 (Audited)	209,601
Change in fair value charged to profit or loss	22,795
Change in fair value charged to other comprehensive income attributable to change in credit risk	9,367
At 31 December 2018 (Audited)	241,763
Change in fair value charged to profit or loss	(14,513)
At 30 June 2019 (Unaudited)	227,250

The Company has used the binominal option pricing model to determine the fair value of the convertible loan notes as of the dates of issuance and at the end of each period.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTRACTUAL COMMITMENTS

Capital commitments

As at 30 June 2019, the Group Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements was RMB341.9 million, which decreased by 11.0% from RMB383.9 million as at 31 December 2018, mainly due to the arrival of new equipment.

Financing plan

The Group intends to apply for approximately RMB2,000 million credit line(s) (including the original credit line and the new credit line(s)) from the banks in the coming year, to support the production and operation of the Company and the quick development of project construction.

GEARING RATIO

Gearing ratio is calculated by using interest-bearing borrowings less bank balances and cash, divided by total equity and multiplied by 100%. As at 30 June 2019, the Group was in a net cash position and thus, gearing ratio is not applicable.

FUTURE AND OUTLOOK

The Company strives to become an innovative biopharmaceutical company with global competitiveness harboring full industrial chain operations integrating R&D, manufacturing and commercialisation. To achieve such vision, we will accelerate the R&D of drugs and drug commercialisation, including the domestic trials of JS001 on the indications of multiple tumors and the multicenter-clinical trials of JS001 in the United States and other countries, with an emphasis on the IND application and clinical trials of first-in-class drugs. In addition, the Company will continue to expand the product pipeline, carry out the exploration and R&D of new drug targets in the small molecule field and promote the cooperation with outstanding small-molecule drug companies, while proceeding with the tracking and exploratory study of potential targets that apply to macromolecular drugs. In terms of manufacturing, the Company plans to further enhance the fermentation productivity of macromolecular drugs and seek more advanced production techniques to lower the costs and meet market demand.

OTHER INFORMATION

RESULTS AND DIVIDENDS

The Group's profit for the Reporting Period and the state of affairs of the Group as at 30 June 2019 are set out in the condensed consolidated financial statements and the accompanying notes on pages 34 to 73.

The Directors do not recommend the distribution of any interim dividend for the Reporting Period.

DIRECTORS AND SUPERVISORS

BOARD OF DIRECTORS

As at the end of the Reporting Period, the Board comprised 15 Directors, consisting of 6 Executive Directors, 4 Non-executive Directors, and 5 Independent Non-executive Directors, namely:

Executive Directors

Mr. Xiong Jun *(Chairman and Legal Representative)*
Dr. Li Ning *(Chief Executive Officer and General Manager)*
Dr. Feng Hui
Mr. Zhang Zhuobing
Dr. Wu Hai
Dr. Yao Sheng

Non-executive Directors

Mr. Tang Yi
Mr. Li Cong
Mr. Yi Qingqing
Mr. Lin Lijun

Independent Non-executive Directors

Dr. Chen Lieping
Dr. He Jia
Mr. Chen Xinjun
Mr. Qian Zhi
Dr. Roy Steven Herbst

OTHER INFORMATION

BOARD OF SUPERVISORS

During the Reporting Period and up to the date of this interim report, the composition of the Board of Supervisors changed as follows:

Mr. Wu Yu *(chairman of the Board of Supervisors) – appointed as chairman of the Board of Supervisors on 10 July 2019*
Ms. Nie Anna – *appointed on 7 May 2019*
Ms. Li Ruolin – *appointed on 7 May 2019*
Ms. Wang Pingping
Mr. Liu Jun – *appointed on 17 June 2019*
Mr. Liu Hongchuan *(previously chairman of the Board of Supervisors) – resigned on 30 April 2019, effective on 7 May 2019 (as employee representative supervisor)*
Mr. Gao Yucai – *resigned on 30 April 2019, effective on 7 May 2019*
Mr. Yan Jiawei – *resigned on 9 April 2019, effective on the same day*

Directors' and Supervisors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this interim report, none of the Directors, Supervisors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares in, or debentures of, the Company or its subsidiaries, or had exercised any such right during the Reporting Period.

Competing interest and other interest

None of the Directors or the Supervisors or any entity connected with them has any material interest, either directly or indirectly, in any contract, transaction or arrangement of significance to the Group's business to which the Company, any of its holding companies, any of its subsidiaries, fellow subsidiaries was a party subsisted at any time during the Reporting Period.

Except as disclosed in this interim report, during the Reporting Period, none of the Directors and their respective associates had an interest in a business which causes or may cause any significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Changes of Information of the Directors and Supervisors

As at the date of this interim report, change in biographical details of Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Mr. Lin Lijun resigned as an independent non-executive director of TANSH Global Food Group Co., Ltd. (a company listed on Hong Kong Stock Exchange (stock code: 3666.HK)) on 6 June 2019.

OTHER INFORMATION

Directors', Supervisors and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures

As at 30 June 2019, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules were as follows:

Interests in the Company

Name of Director/ Supervisor/chief executive	Nature of interests	Class of Shares	Number of Shares/ Underlying Shares(1)	Approximate percentage in relevant class of Shares (%)(1)	Approximate percentage in total share capital (%)(1)
Xiong Jun	Beneficial owner	Domestic Shares	80,339,968 (L)	13.36%	10.25%
	Parties acting in concert/ Interest in controlled corporations(2)	Domestic Shares	115,210,768 (L)	19.16%	14.69%
Feng Hui	Beneficial owner	Domestic Shares	17,520,000 (L)	2.91%	2.23%
Li Cong	Beneficial owner	Domestic Shares	3,657,600 (L)	0.61%	0.47%
Tang Yi	Beneficial owner	Domestic Shares	10,366,000 (L)	1.72%	1.32%
	Interest in controlled corporations(3)	Domestic Shares	188,637,736 (L)	31.37%	24.06%
Zhang Zhuobing	Interest of spouse	Domestic Shares	8,608,000 (L)	1.43%	1.10%
Lin Lijun	Interest in controlled corporations(4)	Domestic Shares	85,240,652 (L)	14.17%	10.87%
	Interest in controlled corporations(4)	H Shares	37,189,000 (L)	20.35%	4.74%

Notes:

As at 30 June 2019:

1. The Company had 784,146,500 issued Shares, comprising 601,400,000 Domestic Shares and 182,746,500 H Shares. The letter "L" devotes the long position in the Shares.

2. Pursuant to (i) a concert party agreement dated 25 December 2017 entered into among Mr. Xiong Jun, Mr. Xiong Fengxiang, Suzhou Ruiyuan Shengben Biological Medicine Management Partnership (LP) ("**Suzhou Ruiyuan**"), Suzhou Benyu Tianyuan Biological Technology Partnership (LP)* ("**Suzhou Benyu**"), Shanghai Baoying Asset Management Co., Ltd.* ("**Shanghai Baoying**"), Meng Xiaojun, Gao Shufang, Zhuhai Huapu Investment Management Co., Ltd.* and Zhao Yun (the "**2017 Concert Party Agreement**"), Mr. Xiong Jun is deemed to be interested in an aggregate of 108,297,768 Domestic Shares held by the other parties to the 2017 Concert Party Agreement under the SFO (including the 41,060,000 Domestic Shares directly held by Mr. Xiong Fengxiang, the father of Mr. Xiong Jun); and (ii) a concert party agreement dated 26 February 2018 entered into between Mr. Xiong Jun and Gongqingcheng Juntuo Investment Management Partnership (LP)* (the "**2018 Concert Party Agreement**"), Mr. Xiong Jun is further deemed to be interested in 6,913,000 Domestic Shares held by the other party to the 2018 Concert Party Agreement under the SFO.

OTHER INFORMATION

Mr. Xiong Jun (i) was an executive director and was directly interested in 20% of the equity share capital of Shanghai Baoying, which directly held 4,372,144 Domestic Shares; Shanghai Baoying was also a party to the 2017 Concert Party Agreement; (ii) was the chairman of the board of directors and was directly interested in 40% of the equity share capital of Shenzhen Qianhai Yuanben Equity Investment Fund Management Co., Ltd.* ("**Shenzhen Yuanben**"), which was the general partner of each of Suzhou Benyu and Suzhou Ruiyuan, which in turn directly held 4,600,000 and 43,584,000 Domestic Shares, respectively, and were each a party to the 2017 Concert Party Agreement. Shenzhen Yuanben also holds a limited partner interest of approximately 86.28% of Suzhou Benyu. Mr. Xiong Jun is deemed to be interested in an aggregate of such 52,556,144 Domestic Shares under the SFO.

3. Mr. Tang Yi directly held 10,366,000 Domestic Shares. Mr. Tang Yi was a director of and directly interested in 60% of the equity share capital of Shenzhen Yuanben, which was the general partner of each of Suzhou Benyu and Suzhou Ruiyuan. Shenzhen Yuanben also holds a limited partner interest of approximately 86.28% of Suzhou Benyu. Therefore, he is deemed to be interested in Shares in which Suzhou Benyu and Suzhou Ruiyuan are interested (including Shares they are deemed to be interested in pursuant to the 2017 Concert Party Agreement) under the SFO.

4. Shanghai Tanying Investment Partnership ("**Shanghai Tanying**") was directly interested in 82,978,652 Domestic Shares, including the 2018 Convertible Bonds which may be converted into 8,695,652 Domestic Shares based on the exercise price of RMB23.00 per Share at the relevant time (the 2018 Convertible Bonds have been fully redeemed by the Company with effect from 8 July 2019, please refer to the paragraph "– 2018 Convertible Bonds" below for further details). Shanghai Tanzheng Investment Partnership ("**Shanghai Tanzheng**") was directly interested in 2,262,000 Domestic Shares. Mr. Lin Lijun was a director and wholly interested in Shanghai Shengge Asset Management Co., Ltd. ("**Shanghai Shengge**"), which was the general partner of both Shanghai Tanying and Shanghai Tanzheng. Mr. Lin Lijun was also the general partner of Shanghai Shengdao Investment Partnership, which was the general partner of Shanghai Lejin Investment Partnership, which in turn held 99.99% interest in Shanghai Tanying. Therefore, Mr. Lin Lijun is deemed to be interested in the Shares in which Shanghai Tanying and Shanghai Tanzheng are interested under the SFO.

   Loyal Valley Capital Advantage Fund LP ("**LVC Fund I**"), Loyal Valley Capital Advantage Fund II LP ("**LVC Fund II**") and LVC Renaissance Fund LP ("**LVC Renaissance Fund**", together with LVC Fund I and LVC Fund II, the "**LVC Funds**")) directly held 10,106,000 H Shares, 12,127,000 H Shares and 14,956,000 H Shares, respectively. Loyal Valley Capital Advantage Fund GP Limited ("**LVC Fund I GP**") was the general partner of LVC Fund I, Loyal Valley Capital Advantage Fund II Limited ("**LVC Fund II GP**") was the general partner of LVC Fund II and LVC Renaissance Limited ("**LVC Renaissance GP**") was the general partner of LVC Renaissance Fund. Each of LVC Fund I GP, LVC Fund II GP and LVC Renaissance GP was wholly-owned by LVC Holdings Limited, which was wholly-owned by LVC Bytes Limited, which was in turn wholly-owned by Mr. Lin Lijun. Also, LVC Renaissance Fund was owned as to 25.33% by Golden Valley Global Limited, which was wholly-owned by Shanghai Lehong Investment Partnership ("**Shanghai Lehong**"). Shanghai Tanying (a controlled corporation of Mr. Lin Lijun) held 99.99% in Shanghai Shengge (a corporation wholly-owned by Mr. Lin Lijun) and was the general partner of Shanghai Lehong. Therefore, Mr. Lin Lijun was deemed to be interested in an aggregate of 37,189,000 H Shares held by the LVC Funds under the SFO.

Save as disclosed above, as at 30 June 2019, none of the Directors, Supervisors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

As at 30 June 2019, to the best knowledge of the Directors, the following persons/entities (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which fall to be disclosed to the Company and Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under Section 336 of the SFO and were directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company are as follows:

Name of Shareholder	Nature of interests	Class of Shares	Number of Underlying Shares[1]	Approximate percentage in relevant class of Shares (%)[2]	Approximate percentage in total share capital (%)[2]
Xiong Fengxiang[3]	Beneficial owner	Domestic Shares	41,060,000 (L)	6.83%	5.24%
	Parties acting in Concert	Domestic Shares	147,577,736 (L)	24.54%	18.82%
Suzhou Ruiyuan Shengben Biological Medicine	Beneficial owner	Domestic Shares	43,584,000 (L)	7.25%	5.56%
Management Partnership (LP)*	Parties acting in Concert	Domestic Shares	145,053,736 (L)	24.12%	18.50%
蘇州瑞源盛本生物醫藥管理合夥企業(有限合夥)[4]					
Suzhou Benyu Tianyuan Biological Technology	Beneficial owner	Domestic Shares	4,600,000 (L)	0.76%	0.59%
Partnership (LP)*	Parties acting in Concert	Domestic Shares	184,037,736 (L)	30.60%	23.47%
蘇州本裕天源生物科技合夥企業(有限合夥)[4]					
Shanghai Baoying Asset Management Co., Ltd.*	Beneficial owner	Domestic Shares	4,372,144 (L)	0.73%	0.56%
上海寶盈資產管理有限公司[4]	Parties acting in Concert	Domestic Shares	184,265,592 (L)	30.64%	23.50%
Meng Xiaojun	Beneficial owner	Domestic Shares	4,288,400 (L)	0.71%	0.55%
孟曉君[4]	Parties acting in Concert	Domestic Shares	184,349,336 (L)	30.65%	23.51%
Gao Shufang	Beneficial owner	Domestic Shares	3,789,720 (L)	0.63%	0.48%
高淑芳[4]	Parties acting in Concert	Domestic Shares	184,848,016 (L)	30.74%	23.57%
Zhuhai Huapu Investment Management Co., Ltd.*	Beneficial owner	Domestic Shares	3,719,504 (L)	0.62%	0.47%
珠海華樸投資管理有限公司[4]	Parties acting in Concert	Domestic Shares	184,918,232 (L)	30.75%	23.58%
Zhao Yun	Beneficial owner	Domestic Shares	2,884,000 (L)	0.48%	0.37%
趙雲[4]	Parties acting in Concert	Domestic Shares	185,753,736 (L)	30.89%	23.69%
Gongqingcheng Juntuo Investment Management	Beneficial owner	Domestic Shares	6,913,000 (L)	1.15%	0.88%
Partnership (LP)*	Parties acting in Concert	Domestic Shares	80,339,968 (L)	13.36%	10.25%
共青城君拓投資管理合夥企業(有限合夥)[4]					
Zhuhai Gaoling Equity Investment Management Ltd.* 珠海高瓴股權投資管理有限公司	Investment manager	Domestic Shares	30,750,000 (L)	5.11%	3.92%
Shanghai Tanying Investment Partnership[5]	Beneficial owner	Domestic Shares	82,978,652 (L)	13.80%	10.58%
Shanghai Shengge Asset Management Co., Ltd.[5]	Interest of controlled corporation	Domestic Shares	85,240,652 (L)	14.17%	10.87%
Shanghai Lejin Investment Partnership[5]	Interest of controlled corporation	Domestic Shares	82,978,652 (L)	13.80%	10.58%

OTHER INFORMATION

Name of Shareholder	Nature of interests	Class of Shares	Number of Underlying Shares[1]	Approximate percentage in relevant class of Shares (%)[2]	Approximate percentage in total share capital (%)[2]
Shanghai Shengdao Investment Partnership[5]	Interest of controlled corporation	Domestic Shares	82,978,652 (L)	13.80%	10.58%
Gong Ruilin 龔瑞琳	Interest of controlled corporation/spouse[5][7]	Domestic Shares	85,240,652 (L)	14.17%	10.87%
	Interest of spouse[6][7]	H Shares	37,189,000 (L)	20.35%	4.74%
Loyal Valley Capital Advantage Fund LP[6]	Beneficial owner	H Shares	10,106,000 (L)	5.53%	1.29%
Loyal Valley Capital Advantage Fund GP Limited[6]	Interest of controlled corporation	H Shares	10,106,000 (L)	5.53%	1.29%
Loyal Valley Capital Advantage Fund II LP[6][8]	Beneficial owner	H Shares	12,127,000 (L)	6.64%	1.55%
Loyal Valley Capital Advantage Fund II Limited[6]	Interest of controlled corporation	H Shares	12,127,000 (L)	6.64%	1.55%
LVC Renaissance Fund LP[6]	Beneficial owner	H Shares	14,956,000 (L)	8.18%	1.91%
LVC Renaissance Limited[6]	Interest of controlled corporation	H Shares	14,956,000 (L)	8.18%	1.91%
LVC Holdings Limited[6]	Interest of controlled corporation	H Shares	37,189,000 (L)	20.35%	4.74%
LVC Bytes Limited[6]	Interest of controlled corporation	H Shares	37,189,000 (L)	20.35%	4.74%
Sun Yongjian 孫勇堅[8]	Interest of controlled corporation	H Shares	10,106,000 (L)	5.53%	1.29%
Eminent Azure Limited[8]	Interest of controlled corporation	H Shares	10,106,000 (L)	5.53%	1.29%
Prosperous Wealth Global Limited[8]	Interest of controlled corporation	H Shares	10,106,000 (L)	5.53%	1.29%
Highbury Investment Pte Ltd[9]	Beneficial owner	H Shares	18,190,000 (L)	9.95%	2.32%
	Interest of controlled corporation	H Shares	12,127,000 (L)	6.64%	1.55%
GIC (Ventures) Pte. Ltd.[9]	Interest of controlled corporation	H Shares	30,317,000 (L)	16.59%	3.87%
GIC Special Investments Private Limited[9]	Interest of controlled corporation	H Shares	30,317,000 (L)	16.59%	3.87%
GIC Private Limited[9]	Interest of controlled corporation	H Shares	30,317,000 (L)	16.59%	3.87%
Wang Shujun 王樹君	Beneficial owner	H Shares	13,339,000 (L)	7.30%	1.70%
Yu Jianwu 俞建午	Beneficial owner	H Shares	13,339,000 (L)	7.30%	1.70%
Hillhouse Capital Advisors, Ltd.[10]	Investment manager	H Shares	11,400,000 (L)	6.24%	1.45%

OTHER INFORMATION

Name of Shareholder	Nature of interests	Class of Shares	Number of Underlying Shares[(1)]	Approximate percentage in relevant class of Shares (%)[(2)]	Approximate percentage in total share capital (%)[(2)]
Gaoling Fund, L.P.[(10)]	Beneficial owner	H Shares	10,715,000 (L)	5.86%	1.37%
Invesco Advisor Inc	Investment manager	H Shares	15,402,000 (L)	8.42%	1.96%
Beijing Dinglianxin Technology Development Co., Ltd.*[(11)] 北京鼎聯鑫科技發展有限公司[(11)]	Beneficial owner	H Shares	8,489,000 (L)	5.34%	1.11%
Zheng Huiqing[(11)] 鄭慧卿[(11)]	Interest of controlled corporation	H Shares	8,489,000 (L)	5.34%	1.11%
Zhang Yan[(11)] 張研[(11)]	Interest of controlled corporation	H Shares	8,489,000 (L)	5.34%	1.11%
Zhang Chen[(11)] 張忱[(11)]	Interest of controlled corporation	H Shares	8,489,000 (L)	5.34%	1.11%

Notes:

As at 30 June 2019:

1. The letter "L" denotes the long position in the Shares.

2. The Company had 784,146,500 issued Shares, comprising 601,400,000 Domestic Shares and 182,746,500 H Shares.

3. Mr. Xiong Fengxiang directly held 41,060,000 Domestic Shares. Pursuant to the 2017 Concert Party Agreement, Mr. Xiong Fengxiang was deemed to be interested in an aggregate of 147,577,736 Domestic Shares held by the other parties to the 2017 Concert Party Agreement under the SFO (including the 80,339,968 Domestic Shares directly held by Mr. Xiong Jun, son of Mr. Xiong Fengxiang).

4. Each of them is a party to the 2017 Concert Party Agreement or the 2018 Concert Party Agreement, and was therefore deemed to be interested in the Domestic Shares held by the other parties to the respective Concert Party Agreements under the SFO.

5. Shanghai Tanying Investment Partnership ("**Shanghai Tanying**") was directly interested in 82,978,652 Domestic Shares, including the 2018 Convertible Bonds which may be converted into 8,695,652 Domestic Shares based on the exercise price of RMB23.00 per Share at the relevant time (the 2018 Convertible Bonds have been fully redeemed by the Company with effect from 8 July 2019, please refer to the paragraph "– 2018 Convertible Bonds" below for further details). Shanghai Tanzheng Investment Partnership ("**Shanghai Tanzheng**") was directly interested in 2,262,000 Domestic Shares. Shanghai Shengge Asset Management Co., Ltd. ("**Shanghai Shengge**") was the general partner of both Shanghai Tanying and Shanghai Tanzheng. Shanghai Shengdao Investment Partnership was the general partner of Shanghai Lejin Investment Partnership, which in turn held 99.99% interest in Shanghai Tanying. Therefore, each of Shanghai Shengge, Shanghai Shengdao and Shanghai Lejin was deemed to be interested in the 82,978,652 Domestic Shares held by Shanghai Tanying and Shanghai Shengge was deemed to be interested in the 2,262,000 Domestic Shares held by Shanghai Tanzheng under the SFO.

OTHER INFORMATION

6. Loyal Valley Capital Advantage Fund LP ("**LVC Fund I**"), Loyal Valley Capital Advantage Fund II LP ("**LVC Fund II**") and LVC Renaissance Fund LP ("**LVC Renaissance Fund**", together with LVC Fund I and LVC Fund II, the "**LVC Funds**")) directly held 10,106,000 H Shares, 12,127,000 H Shares and 14,956,000 H Shares, respectively. Loyal Valley Capital Advantage Fund GP Limited ("**LVC Fund I GP**") was the general partner of LVC Fund I and was deemed to be interested in the H Shares held by it. Loyal Valley Capital Advantage Fund II Limited ("**LVC Fund II GP**") was the general partner of LVC Fund II and was deemed to be interested in the H Shares held by it. LVC Renaissance Limited ("**LVC Renaissance GP**") was the general partner of LVC Renaissance Fund and was deemed to be interested in the H Shares held by it. Each of LVC Fund I GP, LVC Fund II GP and LVC Renaissance GP was wholly-owned by LVC Holdings Limited, which was wholly-owned by LVC Bytes Limited. Therefore, each of LVC Holdings Limited and LVC Bytes Limited was deemed to be interested in the aggregate Shares held by the LVC Funds under the SFO.

7. Ms. Gong Ruilin is the spouse of Mr. Lin Lijun and is therefore deemed to be interested in the Shares in which he is interested under the SFO.

8. Sun Yongjian wholly-owned Eminent Azure Limited, which wholly-owned Prosperous Wealth Global Limited, which held 33.34% interest in LVC Fund I. Each of them was therefore deemed to be interested in the 10,106,000 H Shares held by LVC Fund I under the SFO.

9. Highbury Investment Pte Ltd ("**Highbury**") directly held 18,190,000 H Shares. Highbury also held 90.90% interest in LVC Fund II and was deemed to be interested in the 12,127,000 H Shares held by LVC Fund II. Highbury was wholly-owned by GIC (Ventures) Pte. Ltd. ("**GIC Ventures**"), which was wholly-owned by GIC Special Investments Private Limited ("**GIC SIPL**"), which was in turn wholly-owned by GIC Private Limited ("**GIC Private**"). Therefore, each of GIC Ventures, GIC SIPL and GIC Private was interested in the Shares in which Highbury was interested under the SFO.

10. Hillhouse Capital Advisors, Ltd. controlled Gaoling Fund, L.P. and YHG Investment, L.P. and is therefore deemed to be interested in the 10,715,000 H Shares and 685,000 H Shares held by Gaoling Fund, L.P. and YHG Investment, L.P., respectively under the SFO.

11. Zheng Huiqing, Zhang Yan and Zhang Chen each held one-third of the interest in Beijing Dinglianxin Technology Development Co., Ltd.* ("**Beijing Dinglianxin**") and was therefore deemed to be interested in the 8,489,000 H Shares held by Beijing Dinglianxin under the SFO.

SHARE CAPITAL

On 24 December 2018, the Company issued 158,910,000 new H Shares at HK$19.38 (equivalent to RMB17.07) per H Share for total gross proceeds of HK$3,079.7 million (equivalent to RMB2,713.2 million) by way of initial public offering of the Company on the Hong Kong Stock Exchange. On 4 January 2019, the over-allotment option was fully exercised and the Company issued an aggregate of 23,836,500 H Shares for total gross proceeds of HK$462.0 million. As of 30 June 2019, 784,146,500 Shares were in issue (comprising 601,400,000 Domestic Shares and 182,746,500 H Shares).

The Company has issued the 2018 Convertible Bonds (which have been fully redeemed by the Company with effect from 8 July 2019) and has granted certain Pre-IPO Options (which may be satisfied by issue of new Shares or acquisition of existing Shares). See also "– 2018 Convertible Bonds" and "– Share Incentives" below.

OTHER INFORMATION

2018 CONVERTIBLE BONDS

On 23 February 2018, the Company issued the 2018 Convertible Bonds in a principal amount of RMB200 million to qualified investor(s) at the issue price representing 100% of its face value (i.e. RMB200 million). The term of the 2018 Convertible Bonds was 6 years commencing from the issue date. The annual interest rate of the 2018 Convertible Bonds is 10.35%. The 2018 Convertible Bonds were listed on the Shanghai Stock Exchange (code: 145951.SH). The 2018 Convertible Bonds may be converted into Domestic Shares after the end of six months from the issue date. As of 30 June 2019, RMB200 million of these 2018 Convertible Bonds were outstanding and convertible into 8,695,652 Domestic Shares at the conversion price of RMB23.00 per Domestic Share and were held by Shanghai Tanying Investment Partnership (LP)* (上海檀英投資合夥企業（有限合夥）). Please refer to the Prospectus for further details of the 2018 Convertible Bonds.

Pursuant to the 2018 Prospectus for the Non-public Offering of the 2018 Convertible Bonds, if the Company applies to its local securities regulatory bureau for guidance on the listing and offering of A shares and such application has been accepted, the Company is entitled to redeem the outstanding 2018 Convertible Bonds at nominal value together with accrued interests thereon. The Company submitted its listing counseling materials to the Shanghai Supervisory Commission of the China Securities Regulatory Commission on 25 April 2019, and exercised its right of early redemption and fully redeemed the outstanding 2018 Convertible Bonds in the aggregate principal amount of RMB200 million. The 2018 Convertible Bonds have been fully redeemed and delisted from the Shanghai Stock Exchange from 8 July 2019.

SHARE INCENTIVES

The Company has established its share incentive scheme and entered into share incentive agreements to provide incentive to its management and employees. Set out below are details of the share incentive scheme and the share inventive agreements.

Share Incentive Scheme

The Company's Share Incentive Scheme was adopted by the Shareholders on 14 May 2018. The purpose of the Share Incentive Scheme is to attract, retain and motivate the Group's employees, to align the interest of the Directors, the Supervisors, the senior management, the employees and the Shareholders of the Company and to strive for long-term mutual development of the Company. The following is a summary of the principal terms of the Share Incentive Scheme:

(a) The Directors, Supervisors, senior management and other employees of the Group are eligible to participate in the Share Incentive Scheme. Save and except for the Directors and the Shareholder representative Supervisors, all other grantees shall assume a position at, and have executed an employment contract with, a member of the Group. A person will cease to be eligible under the Share Incentive Scheme if he/she, among others, has materially breached the Company's management system, has caused substantial economic losses or material negative impact to the Company, was reprimanded publicly as an unsuitable person by the NEEQ in the recent three years, was subject to administrative penalties or other regulatory measures by the CSRC, the NEEQ and/or any other securities regulatory authorities in the recent three years, is unsuitable to be a director, supervisor or senior management pursuant to the PRC Company Law, has his/her employment contract terminated by reason of breach of the relevant laws or regulations or has resigned and other situation that are not appropriate to be encouraged by the relevant laws and regulations ("**Events of Cessation of Eligibility**");

(b) the Share Incentive Scheme may be implemented, altered or terminated by resolution passed by the Shareholders in a general meeting. Subject to the approval of the Shareholders, the Board shall be responsible for administering and implementing the Share Incentive Scheme and the relevant matters;

(c) the effective period of the Share Incentive Scheme shall be determined by the Board;

(d) the Company may use any the following means to settle the Pre-IPO Options:

    (i) issuing Shares to the Grantee;

    (ii) issuing Shares to asset management plan, private equity fund and other qualified financial products, as may be subscribed by the Grantee;

    (iii) repurchasing the Shares; or

    (iv) other means as permitted by the relevant laws, rules and regulations; and

(e) details of the grant, including the number of Pre-IPO Options, the subscription price and the exercise price, shall be governed by share incentive agreements between the Company and the relevant Grantee.

Following the Listing, no further Pre-IPO Options will be granted by the Company under the Share Incentive Scheme.

Share Incentive Agreements

On 12 March 2018, (the "**date of grant**") the Company entered into Share Incentive Agreements with 268 Grantees pursuant to which the Company agreed to grant, in aggregate, 6,023,000 Pre-IPO Options to the Grantees. The Pre-IPO Options are subject to the Share Incentive Scheme. The following is a summary of the principal terms of the Share Incentive Agreements:

(a) the exercise price of the Pre-IPO Options shall be RMB9.2 per Share;

(b) the Pre-IPO Options shall be valid for three years from the date of grant, the Grantee may exercise its Pre-IPO Options in accordance with the following schedule: 25% of the total number of Pre-IPO Options granted shall be vested on the trading day following the end of the 12 months from the date of grant, 35% of the total number of Pre-IPO Options granted shall be vested on the first trading day following the end of the 24 months from the date of grant and 40% of the total number of Pre-IPO Options granted shall be vested on the first trading day following the end of the 36 months from the date of grant;

(c) the Grantee undertakes to remain in his/her position in the Group from the date of grant up to the date of exercise of the Pre-IPO Options. The Grantee further undertakes not to allow the Events of Cessation of Eligibility to occur.

OTHER INFORMATION

Amendments to the existing Share Incentive Scheme

For further implementing the objective to provide incentive under the Share Incentive Scheme and by taking into consideration the Company's proposed issue of A Shares and listing on the Sci-Tech Innovation Board of the Shanghai Stock Exchange (see paragraph "– Proposed Issue of A Shares and Listing on the Sci-Tech Innovation Board of the Shanghai Stock Exchange" below) and customary market practices, the Board proposed, and the Shareholders resolved at the annual general meeting, the 2019 first class meeting of Domestic Shareholders and the 2019 first class meeting of H Shareholders held on 17 June 2019, to amend certain terms of the existing Share Incentive Scheme. Details of the amendments are set out in Appendix XV to the Company's supplemental circular issued on 27 May 2019.

The amended Share Incentive Scheme does not involve the grant of an option to subscribe for any new Shares and therefore is not required to be subject to the provisions in Chapter 17 of the Listing Rules. Save for the dilutive effect from the allotment of Domestic Shares from the exercise of Pre-IPO Options as disclosed in the Prospectus, the amended Share Incentive Scheme does not cause any effect to the total number of Shares outstanding and will not result in any dilutive effect to the Shares.

The proposed amendments to the existing Share Incentive Scheme will take effect upon completion of the issue of A Shares and the listing on the Sci-Tech Innovation Board. The Company will also enter into supplemental agreements with the Grantees of the Pre-IPO Options to acknowledge the amendments to the existing Share Incentive Scheme.

Movement of Pre-IPO Options during the Relevant Period

As at 30 June 2019, 5,296,000 Pre-IPO Options for an aggregate of 5,296,000 Domestic Shares (representing approximately 0.68% of the Company's total issued share capital as at 30 June 2019) were outstanding.

OTHER INFORMATION

Details of the movements of the Pre-IPO Options during the Reporting Period are as follows:

Grantee	On 1 January 2019[4]	Granted	Exercised	Cancelled	Lapsed	On 30 June 2019	Exercised Period[1]
	Number of Pre-IPO Options						
Liu Hongchuan (vice supervisor of quality research of Suzhou Junmeng)[2]	120,000	–	–	–	–	120,000	12 March 2019 – 11 March 2021
Gao Yucai (currently a senior researcher and deputy manager at Suzhou Junmeng)[2]	100,000	–	–	–	–	100,000	12 March 2019 – 11 March 2021
Chen Yingge (Secretary of the Board and member of senior management of the Company)	10,000	–	–	–	–	10,000	12 March 2019 – 11 March 2021
Wang Shixu (Pre-clinical trial manager of Suzhou Junmeng)[3]	50,000	–	–	–	50,000	0	12 March 2019 – 11 March 2021
Other employees	5,518,000	–	–	–	452,000	5,066,000	12 March 2019 – 11 March 2021
Total	5,798,000	–	–	–	502,000	5,296,000	

Notes:

1. 25% of the total number of Pre-IPO Options granted shall be vested on the trading day following the end of the 12 months from 12 March 2018, 35% of the total number of Pre-IPO Options granted shall be vested on the first trading day following the end of the 24 months from 12 March 2018 and 40% of the total number of Pre-IPO Options granted shall be vested on the first trading day following the end of the 36 months from 12 March 2018.

2. Both Mr. Liu Hongchuan and Mr. Gao Yucai served as employee representative supervisors of the Company from 27 March 2015 to 30 April 2019, and both of them resigned as employee representative supervisors on 30 April 2019. However, as the resignation of Mr. Liu Hongchuan and Mr. Gao Yucai will cause the number of the Board of Supervisors to be less than the legal minimum quorum, they will continue to perform the duties of supervisors before the re-elected supervisors take office.

   In connection with the Company's proposed issue of A shares and listing on the Sci-Tech Innovation Board of the Shanghai Stock Exchange, the Board of Directors have resolved to amend existing Share Incentive Scheme. Pursuant to the relevant PRC laws and regulations, including the Measures for the Administration of Equity Incentives of Listed Companies (《上市公司股權激勵管理辦法》), the Listing Rules of the Sci-Tech Innovation Board of the Shanghai Stock Exchange (《上海證券交易所科創板股票上市規則》) and the Q&A on the Shanghai Stock Exchange Issuing Supporting Rules and Guidelines for Launching Sci-Tech Innovation Board and Piloting Registration based IPO System (《上海證券交易所科創板股票發行上市審核問答》), a supervisor should not be the subject of any share incentive of a company listing on the Sci-Tech Innovation Board. In light of such requirement, Mr. Liu Hongchuan and Mr. Gao Yucai resigned as Supervisors but remained as employees of the Group. As at the end of the Reporting Period, they continued to hold the Pre-IPO Options.

3. Ms. Wang Shixu is an associate of Mr. Wu Hai, an executive Director. During the Reporting Period, Ms. Wang Shixu gave up her entitlements to the Pre-IPO Options.

OTHER INFORMATION

4. The consideration paid by each grantee for the Pre-IPO Options was nil.

Further details of the Share Incentive Scheme and the Share Incentive Agreements are set out in the Prospectus.

PROPOSED ISSUE OF A SHARES AND LISTING ON THE SCI-TECH INNOVATION BOARD OF THE SHANGHAI STOCK EXCHANGE

The Company submitted the listing counseling materials in relation to the initial public offering and listing of A shares on the Sci-Tech Innovation Board of the Shanghai Stock Exchange to the Shanghai Supervisory Commission of the CSRC (the "**Shanghai Securities Regulatory Bureau**"). The counseling and filing were announced on the website of the Shanghai Securities Regulatory Bureau on 5 May 2019. The Company is currently receiving counseling from China International Capital Corporation Limited.

On 17 June 2019, Shareholders approved at the annual general meeting, the 2019 first class meeting of Domestic Shareholders and the 2019 first class meeting of H Shareholders, the proposed issue of not more than 87,130,000 A shares of the Company and the application to the Shanghai Stock Exchange for the listing of, and permission to deal in, the A shares on the Sci-Tech Innovation Board of the Shanghai Stock Exchange and related matters. The issue of A shares will be subject to, among other things, the approvals by the Shanghai Stock Exchange and registration with the CSRC. In relation to the issue of A shares, the Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 10.08 of the Listing Rules, pursuant to which the Company originally, undertook to the Hong Kong Stock Exchange that, except pursuant to the Global Offering (including any allotment and issue of Shares pursuant to the Over-allotment Option, the Pre-IPO options and the 2018 Convertible Bonds) or for the circumstances provided under Rule 10.08(1) to (4) of the Listing Rules, at any time during the period of six months from the listing date, being 24 December 2018, the Company shall not, without the prior written consent of the Hong Kong Stock Exchange or unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any shares or other securities convertible into equity securities of the Company. Details of the Company's proposed issue of A shares and waiver from strict compliance of Rule 10.08 of the Listing Rules are set out in the Company's announcement dated 30 April 2019 and supplemental circular dated 27 May 2019.

The Company has submitted its listing application to the Shanghai Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company redeemed the 2018 Convertible Bonds with effect from 8 July 2019. Please also refer to the paragraph "– 2018 Convertible Bonds" above for further details.

Save as disclosed in this interim report regarding the redemption of the 2018 Convertible Bonds in July 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. As at the date of this report, the Board comprises six executive Directors, four non-executive Directors and five independent non-executive Directors. The Board has adopted the code provisions (the "**Code Provisions**") of the CG Code as its corporate governance code. For the six months ended 30 June 2019, the Company has complied with the Code Provisions.

OTHER INFORMATION

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with each of the Directors, all the Directors confirmed that they had complied with such code of conduct throughout the Reporting Period.

GLOBAL OFFERING AND USE OF PROCEEDS

On 24 December 2018, the Company issued 158,910,000 new H Shares at HK$19.38 (equivalent to RMB17.07) per H Share for total gross proceeds of HK$3,079.7 million (equivalent to RMB2,713.2 million) by way of initial public offering of the Company on the Hong Kong Stock Exchange.

On 4 January 2019, the Over-allotment Option was fully exercised and the Company issued an aggregate of 23,836,500 H Shares for total gross proceeds of HK$462.0 million.

The total proceeds from the issue of new H Shares by the Company in the Global Offering (after deducting portions of the underwriting fees and related Listing expenses) amounted to approximately RMB3,003.4 million[*(Note)*] and the balance of unutilised net proceeds of approximately RMB2,012.9 million as at 30 June 2019.

The net proceeds from the Global Offering were utilised in accordance with the purposes set out in the Prospectus during the Reporting Period. The table below sets out the planned application of the net proceeds in the Prospectus and actual usage up to 30 June 2019.

	Percentage	**Net proceeds** (RMB'000)	**Interests** (RMB'000)	**Utilized proceeds** (RMB'000)	**Unutilized proceeds** (RMB'000)
The R&D and commercialisation of the Group's Core Product, JS001	40%	1,201,356	–	579,778	621,578
The R&D of the Group's other drug candidates to fund clinical trials	16%	480,542	–	114,357	366,185
The construction of the Lingang Production Base and the Wujiang Production Base	9%	270,305	–	270,305	–
The Group's investment in and acquisition of companies in the pharmaceutical sector	25%	750,847	–	3,700	747,147
The Group's working capital and other general corporate purposes	10%	300,339	11,117	33,456*	278,000*
Total	**100%**	**3,003,389**	**11,117**	**1,001,596**	**2,012,910**

* including interests

OTHER INFORMATION

Note:

It included approximately RMB113.9 million which forms part of the Listing expenses payable settled after the receipt of IPO proceeds. By excluding this portion, the net proceeds planned for applications amount to approximately RMB3,003.4 million.

On 29 August 2019, the Board resolved to change the use of proceeds from the Listing. For further details regarding the change in use of proceeds and the reasons for such change, please refer to the Company's announcement dated 29 August 2019.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, being Dr. He Jia (Chairman of the Audit Committee), Mr. Chen Xinjun and Mr. Qian Zhi and one non-executive Director, being Mr. Li Cong. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group and overseeing the audit process. Mr. Chen Xinjun holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee has reviewed together with the management and external auditors the accounting principles and policies adopted by the Group and the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019.

AUDITOR

The interim financial report for the six months ended 30 June 2019 is unaudited, but have been reviewed by Deloitte Touche Tohmatsu.

All references above to other sections, reports or notes in this interim report form part of this report.

By order of the Board of
Shanghai Junshi Biosciences Co., Ltd.*
Mr. Xiong Jun
Chairman

29 August 2019

* *For identification purpose only*

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF SHANGHAI JUNSHI BIOSCIENCES CO., LTD.*
上海君實生物醫藥科技股份有限公司
(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of 上海君實生物醫藥科技股份有限公司 Shanghai Junshi Biosciences Co., Ltd.* (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 73, which comprises the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 August 2019

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		For the six months ended 30 June	
	NOTES	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Continuing operations			
Revenue	3	309,306	–
Cost of sales		(40,579)	–
Gross profit		268,727	–
Other income	4	12,523	2,635
Other gains and losses	5	(9,468)	(4,829)
Impairment loss in respect of trade and other receivables, net of reversal		750	(615)
Selling and distribution expenses		(110,687)	–
Research and development expenses		(368,737)	(217,778)
Administrative expenses		(102,639)	(49,792)
Share of loss of a joint venture		–	(3)
Share of loss of an associate		(160)	–
Other operating expenses		–	(156)
Finance costs		(8,697)	(2,439)
Loss before tax		(318,388)	(272,977)
Income tax credit	6	28,889	70
Loss for the period from continuing operations	7	(289,499)	(272,907)
Discontinued operations			
Profit for the period from discontinued operations	9	–	147
Loss for the period		(289,499)	(272,760)
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		152	4,886
Fair value gain on the investments in debt instruments measured at fair value through other comprehensive income ("FVTOCI")		–	227
Reclassification to profit or loss upon disposal of investments measured at FVTOCI		–	262
Other comprehensive income for the period		152	5,375
Total comprehensive expense for the period		(289,347)	(267,385)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	NOTE	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
(Loss) profit for the period attributable to owners of the Company			
– from continuing operations		**(289,189)**	(272,875)
– from discontinued operations		**–**	89
Loss for the period attributable to owners of the Company		**(289,189)**	(272,786)
(Loss) profit for the period attributable to non-controlling interests			
– from continuing operations		**(310)**	(32)
– from discontinued operations		**–**	58
(Loss) profit for the period attributable to non-controlling interests		**(310)**	26
		(289,499)	(272,760)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(289,037)**	(267,411)
Non-controlling interests		**(310)**	26
		(289,347)	(267,385)
Loss per share	*10*		
From continuing and discontinued operations			
– Basic (RMB yuan)		**(0.37)**	(0.46)
– Diluted (RMB yuan)		**(0.37)**	(0.46)
From continuing operations			
– Basic (RMB yuan)		**(0.37)**	(0.46)
– Diluted (RMB yuan)		**(0.37)**	(0.46)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	NOTES	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**1,220,069**	939,341
Prepaid lease payments		**–**	74,408
Right-of-use assets	*11*	**155,346**	–
Other intangible assets		**4,158**	1,455
Interest in an associate	*12*	**2,740**	–
Interest in a joint venture		**1,027**	1,027
Deferred tax assets		**30,585**	1,288
Other assets, prepayments and other receivables	*14*	**433,359**	311,607
Other financial assets		**18,000**	18,000
		1,865,284	1,347,126
Current assets			
Inventories		**111,368**	48,468
Trade receivables	*13*	**137,187**	–
Other assets, prepayments and other receivables	*14*	**222,557**	92,630
Other financial assets		**2,016**	5,516
Restricted bank deposit	*15*	**6,828**	–
Bank balances and cash	*15*	**2,295,949**	2,763,570
		2,775,905	2,910,184
Current liabilities			
Trade and other payables	*16*	**311,656**	291,322
Contract liabilities		**–**	1,111
Convertible loan notes	*18*	**227,250**	–
Borrowings	*17*	**159,955**	178,632
Lease liabilities		**13,845**	–
		712,706	471,065
Net current assets		**2,063,199**	2,439,119
Total assets less current liabilities		**3,928,483**	3,786,245

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	NOTES	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Non-current liabilities			
Borrowings	17	390,256	150,000
Contract liabilities		28,302	28,302
Convertible loan notes	18	–	241,763
Deferred income		48,709	45,047
Lease liabilities		29,672	–
		496,939	465,112
Net assets		3,431,544	3,321,133
Capital and reserves			
Share capital	19	784,147	760,310
Reserves		2,648,820	2,561,936
Equity attributable to owners of the Company		3,432,967	3,322,246
Non-controlling interests		(1,423)	(1,113)
Total equity		3,431,544	3,321,133

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Equity attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Financial liability designated at fair value through profit or loss ("FVTPL") credit risk reserve RMB'000 *(Note)*	Investment revaluation reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019 (Audited)	760,310	3,775,539	21,700	(9,367)	–	9,357	(1,235,293)	3,322,246	(1,113)	3,321,133
Loss for the period	–	–	–	–	–	–	(289,189)	(289,189)	(310)	(289,499)
Exchange differences on translation of foreign operations	–	–	–	–	–	152	–	152	–	152
Total comprehensive income (expense) for the period	–	–	–	–	–	152	(289,189)	(289,037)	(310)	(289,347)
Shares issued upon over-allotment options exercised	23,837	380,001	–	–	–	–	–	403,838	–	403,838
Transaction costs attributable to issue of new H shares	–	(12,146)	–	–	–	–	–	(12,146)	–	(12,146)
Recognition of equity-settled share-based payment	–	–	8,066	–	–	–	–	8,066	–	8,066
At 30 June 2019 (Unaudited)	784,147	4,143,394	29,766	(9,367)	–	9,509	(1,524,482)	3,432,967	(1,423)	3,431,544
At 1 January 2018 (Audited)	584,750	1,056,407	–	–	(489)	(1,281)	(518,879)	1,120,508	(1,174)	1,119,334
(Loss) profit for the period	–	–	–	–	–	–	(272,786)	(272,786)	26	(272,760)
Exchange differences on translation of foreign operations	–	–	–	–	–	4,886	–	4,886	–	4,886
Fair value gain on investments in debt instruments measured at FVTOCI	–	–	–	–	227	–	–	227	–	227
Reclassification to profit or loss upon disposal of investments in debt instruments measured at FVTOCI	–	–	–	–	262	–	–	262	–	262
Total comprehensive income (expense) for the period	–	–	–	–	489	4,886	(272,786)	(267,411)	26	(267,385)
Ordinary shares issued	16,650	283,050	–	–	–	–	–	299,700	–	299,700
Transaction costs attributable to issue of new ordinary shares	–	(1,745)	–	–	–	–	–	(1,745)	–	(1,745)
Recognition of equity-settled share-based payment	–	–	3,893	–	–	–	–	3,893	–	3,893
At 30 June 2018 (Audited)	601,400	1,337,712	3,893	–	–	3,605	(791,665)	1,154,945	(1,148)	1,153,797

Note: Financial liability designated at FVTPL credit risk reserve represents the amount of change in fair value of convertible loan notes issued by the Company which is classified as financial liability designated at FVTPL under IFRS 9 *Financial Instruments*, which is attributable to changes in credit risk of the Company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
NET CASH USED IN OPERATING ACTIVITIES	**(660,090)**	(263,626)
INVESTING ACTIVITIES		
Interest received	**11,815**	1,615
Payments for property, plant and equipment	**(390,712)**	(189,714)
Payments for other intangible assets	**(2,179)**	–
Upfront payments for right-of-use assets	**(43,535)**	–
Payments for rental deposits	**(520)**	–
Acquisition of other financial assets	**(1,000)**	(379,000)
Disposal of other financial assets	**4,562**	408,416
Withdrawal of pledged deposits	**–**	26,961
Placement of restricted bank deposit	**(23,310)**	–
Withdrawal of restricted bank deposit	**16,482**	–
Repayment from a joint operation	**–**	8,446
Net cash outflow from disposal of a subsidiary	**–**	(746)
Advance to a joint operation	**(5,876)**	(10,969)
Acquisition of investment an associate	**(2,900)**	–
Interest income from debt instruments measured at FVTOCI	**–**	341
Disposal of debt instruments measured at FVTOCI	**–**	4,550
NET CASH USED IN INVESTING ACTIVITIES	**(437,173)**	(130,100)
FINANCING ACTIVITIES		
Proceeds on issue of new H shares	**403,838**	–
Proceeds on issue of convertible loan notes	**–**	200,000
Payments for transaction costs for the issue of convertible loan notes	**–**	(1,981)
Proceeds on issue of shares	**–**	299,700
Repayments for lease liabilities	**(7,442)**	–
Payments for transaction costs for the issue of new domestic ordinary shares	**–**	(1,745)
Payments for transaction costs for the issue of new H Shares	**(23,297)**	(1,113)
Proceeds from borrowings	**700,225**	20,000
Repayments of borrowings	**(478,686)**	–
Interest paid	**(8,754)**	(372)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
NET CASH FROM FINANCING ACTIVITIES	**585,884**	514,489
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(511,379)**	120,763
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**2,763,570**	266,298
Effect of foreign exchange rate changes	**43,758**	4,858
CASH AND CASH EQUIVALENTS AT 30 JUNE, REPRESENTED BY BANK BALANCES AND CASH	**2,295,949**	391,919

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL

Shanghai Junshi Biosciences Co., Ltd. (the "Company") was established in the People's Republic of China (the "PRC") on 27 December 2012 and converted into a joint stock company with limited liability in May 2015. In August 2015, the Company's domestic shares became listed on the National Equities Exchange and Quotations ("NEEQ") (stock code 833330). On 24 December 2018, the Company's H shares became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code 1877). Its ultimate controlling party is Mr. Xiong Jun, who is also the chairman and executive director of the Company. The respective addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the interim report.

The principal activities of the Company and its subsidiaries (the "Group") are mainly discovery, development and commercialisation of innovative drugs.

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as appropriate.

Except as described below and the changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these condensed consolidated financial statements using the equity method of accounting. In case that the associate uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances, appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with an associate are recognised in the Group's condensed consolidated financial statements only to the extent of interest in the associate that are not related to the Group.

Application of new and amendments of IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

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

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

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

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

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and low-value assets

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets

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

The cost of right-of-use asset includes:

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivables;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Continued)

As a lessee (Continued)

Taxation

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial recognition of IFRS 16

Definition of a lease

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

For contracts entered into on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. The application of new definition of a lease does not have material impact on condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

2.1.2 *Transition and summary of effects arising from initial recognition of IFRS 16* (Continued)

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

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

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

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

iii. Used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition. The Group recognised lease liabilities of RMB46,468,000 and right-of-use assets of RMB123,132,000 at 1 January 2019. The transition to IFRS 16 has no impact on the accumulated losses at 1 January 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial recognition of IFRS 16 (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessees' incremental borrowing rate applied is 5.22%.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	51,273
Lease liabilities discounted at relevant incremental borrowing rates	47,892
Less: Recognition exemption – short-term leases	(1,424)
Lease liabilities relating to operating leases recognised upon application of IFRS 16 as at 1 January 2019	46,468
Analysed as:	
Current	12,182
Non-current	34,286
	46,468

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

	Notes	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		46,468
Reclassified from prepaid lease payments	*(a)*	74,408
Reclassified from operating lease prepayments	*(b)*	2,256
		123,132
By class:		
Leasehold lands		74,408
Leasehold lands and buildings		48,724
		123,132

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial recognition of IFRS 16 (Continued)

As a lessee (Continued)

Impact on the condensed consolidated statement of financial position

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

	Notes	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	**Carrying amounts under IFRS 16 at 1 January 2019 RMB'000**
Non-current assets				
Right-of-use assets	*(a),(b)*	–	123,132	**123,132**
Prepaid lease payments	*(a)*	74,408	(74,408)	**–**
Current assets				
Other assets, prepayments and other receivables	*(b)*	92,630	(2,256)	**90,374**
Non-current liabilities				
Lease liabilities		–	(12,182)	**(12,182)**
Current liabilities				
Lease liabilities		–	(34,286)	**(34,286)**

Notes:

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, prepaid lease payments amounting to RMB74,408,000 were reclassified to right-of-use assets.

(b) Prepaid rental expenses were classified as other assets, prepayments and other receivables as at 31 December 2018. Upon application of IFRS 16, the prepayments amounting to RMB2,256,000 were reclassified to right-of-use assets.

(c) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. However, no adjustments are made as the directors of the Company considered that the discounting effect is immaterial to the condensed consolidated financial statements upon application of IFRS 16.

Note: For the purpose of reporting cash flows for the six months ended 30 June 2019, movements have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results:

Continuing operations

	Sales of pharmaceutical products		Others *(Note)*		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)	**2019 RMB'000 (Unaudited)**	2018 RMB'000 (Audited)	**2019 RMB'000 (Unaudited)**	2018 RMB'000 (Audited)
At a point in time	**308,341**	–	**965**	–	**309,306**	–

Note: The corresponding revenue represents service income which did not contribute over 10% of the total revenue of the Group and does not constitute as a reportable segment.

Starting from the interim period, the Group generated revenue from sales of pharmaceutical products. For the purposes of resource allocation and assessment, the Group's management reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures are presented.

Discontinued operations

During the six months ended 30 June 2018, the Group disposed of its sale of biological reagent segment to an independent third party. The transaction was completed on 29 June 2018 and details of which are set out in Note 9.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. OTHER INCOME

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Continuing operations		
Interest income from bank and time deposits	**11,815**	1,615
Government grants *(Note)*	**708**	1,020
	12,523	2,635

Note: Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery, which are recognised as income over the useful life of the related assets; (ii) the incentive and other subsidies for research and development activities of the Group upon meeting the attached conditions and (iii) the incentives which have no specific conditions attached to the grants.

5. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Continuing operations		
Interest income from debt instruments measured at FVTOCI	**–**	119
Net losses on disposal of debt instruments measured at FVTOCI	**–**	(262)
Net gains from fair value changes of other financial assets measured at FVTPL	**62**	3,617
Net losses on fair value changes of foreign exchange forward contracts	**–**	(6,422)
Exchange loss, net	**(33,949)**	–
Gain (loss) on fair value changes of convertible loan notes measures at FVTPL	**14,513**	(9,601)
Amounts included in the cost of properties under construction *(Note)*	**9,906**	7,720
	(9,468)	(4,829)

Note: The Company designated the convertible loan notes as a whole as a financial liability which included debt instrument portion. As such, the fair value changes incorporated the effective interest of the convertible loan notes and the portion directly attributable to the construction of qualifying assets are eligible for capitalisation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

6. INCOME TAX CREDIT

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Continuing operations		
Current tax	**–**	–
(Under) overprovision in prior year:		
United States Corporate Income Tax	**(408)**	–
PRC Enterprise Income Tax ("EIT")	**–**	64
	(408)	64
Deferred tax	**29,297**	6
Total income tax credit related to continuing operations	**28,889**	70

Under the law of the PRC Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the basic tax rate of the Company and its PRC subsidiaries is 25% for both periods.

上海君實生物工程有限公司 Shanghai Junshi Biotechnology Co., Ltd.* has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Shanghai and relevant authorities on 2 November 2018 for a term of three years, and has been registered with the local tax authorities for enjoying the reduced 15% EIT rate. Accordingly, the profits derived by the subsidiary is subject to 15% EIT rate for the reporting period. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authorities in the PRC for every three years.

During the six months ended 30 June 2019 and 2018, the US Tax Cuts and Jobs Act ("Act") reduces the US Federal Corporate Income Tax rate to a flat rate of 21%.

TopAlliance Biosciences Inc., a wholly-owned subsidiary of the Company, is subject to the US California Corporate Income Tax rate of 8.84% for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

7. LOSS FOR THE PERIOD

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Loss for the period from continuing operations has been arrived at after charging (crediting) the following items:		
Amortisation for other intangible assets	**378**	36
Amortisation for prepaid lease payments	**–**	1,782
Less: amounts included in the cost of properties under construction	**–**	(1,748)
Depreciation for property, plant and equipment	**18,310**	14,680
Depreciation of right-of-use assets	**9,215**	–
Less: amounts included in the cost of properties under construction	**(2,053)**	–
Minimum operating lease payments in respect of rented premises	**–**	4,159
Expenses relating to short-term leases and low-value assets	**3,480**	–
Staff costs (including directors' emoluments):		
– Salaries and other benefits	**176,430**	53,459
– Retirement benefit scheme contributions	**11,167**	5,474
– Share-based payment	**8,066**	3,893
Less: amounts included in the cost of properties under construction	**(21,986)**	(6,246)
amounts included in the cost of inventories	**(12,639)**	–
	161,038	56,580

8. DIVIDENDS

No dividend was paid, declared or proposed during both periods. The directors of the Company have determined that no dividend will be paid in respect of both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

9. DISCONTINUED OPERATIONS AND DISPOSAL OF A SUBSIDIARY

In April 2018, the shareholder of Beijing Junke Jingde Biotechnology Co., Ltd. resolved to dispose the segment of sales of biological reagent. The Group entered into a sales and purchase agreement with an independent third party to dispose of its entire interest in Beijing Xinjingke Biotechnology Co., Ltd. (the "Xinjingke") for a cash consideration of RMB2,000,000 (the "Disposal"). The Disposal was completed on 29 June 2018, on which date control of the Xinjingke was passed to the acquirer. The reason for the Disposal was that the Group can concentrate its resources on development and documentation of drugs.

Analysis of the profit for the period from discontinued operations is set out below:

The results of the discontinued sales of biological reagent operations for the period from 1 January 2018 to 29 June 2018, which were included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	From 1 January to 29 June 2018 RMB'000
Revenue (sales of goods – at a point in time)	1,994
Cost of sales	(1,686)
Gross profit	308
Other income	1
Selling and distribution expenses	(191)
Impairment loss in respect of trade and other receivables, net of reversal	(16)
Administrative expenses	(396)
	(294)
Gain on disposal	441
Profit for the period from discontinued operations	147

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

9. DISCONTINUED OPERATIONS AND DISPOSAL OF A SUBSIDIARY (Continued)

Profit for the period from discontinued operations include the following:

	From 1 January to 29 June 2018 RMB'000
Depreciation for property, plant and equipment	9
Staff costs	
– Salaries and other benefits	447
– Retirement benefit scheme contributions	55

Cash flows from discontinued operations are summarised as follows:

	From 1 January to 29 June 2018 RMB'000
Net cash inflow from operating activities and net cash inflow	117

Note: The Disposal was completed on 29 June 2018, thus no disclosure for the six months period ended 30 June 2019 is presented.

The major classes of assets and liabilities of Xinjingke as at 29 June 2018 are as follows:

	At 29 June 2018 RMB'000
Goodwill	1,519
Property, plant and equipment	74
Inventories	1,098
Trade receivables	
– third parties	471
– related parties	76
Prepayments and other receivables	227
Bank balances and cash	746
Trade and other payables	(1,865)
Contract liabilities	(787)
	1,559
Gain on disposal of a subsidiary	441
Consideration receivables, included in other receivables	2,000
Net cash outflow on disposal of a subsidiary	
Cash and cash equivalents disposed of	(746)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

10. LOSS PER SHARE

(a) Basic

From continuing and discontinued operations

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(289,189)**	(272,786)

Number of shares:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Audited)
Weighted average number of ordinary shares for the purpose of basic loss per share	**783,092,953**	595,420,718

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Loss for the period attributable to owners of the Company	**(289,189)**	(272,786)
Less: Profit for the period from discontinued operations attributable to owners of the Company	**–**	89
Loss for the period for the purpose of basic loss per share from continuing operations	**(289,189)**	(272,875)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

10. LOSS PER SHARE (Continued)

(a) Basic (Continued)

From discontinued operations

Basic earnings per share for the discontinued operations is RMB0.01 cent (audited) for the six months ended 30 June 2018, based on the profit for the period from the discontinued operations of RMB89,000 (audited) for the six months ended 30 June 2018, and the denominators detailed above for the basic loss per share from continuing and discontinued operations.

(b) Diluted

The Group issued the convertible loan notes on 23 February 2018 as set out in Note 18. For the purpose of calculation of diluted loss per share, it did not assume conversion of the convertible loan notes since their assumed conversion would result in a decrease in loss per share.

The Group granted share options on 14 May 2018 as set out in Note 20 and over-allotment options as per underwriting agreement entered into on 16 December 2018. The over-allotment options were exercised in January 2019. The computation of diluted loss per share for the periods ended 30 June 2019 and 2018 does not assume the exercise of the Company's outstanding share options and over-allotment share options since their assumed exercise would result in a decrease in loss per share.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group had approximately RMB299,033,000 (for the six months ended 30 June 2018: RMB175,618,000) addition for equipment installation and construction cost of a manufacturing plant in the PRC in order to upgrade its manufacturing capabilities.

During the current interim period, an upfront payment for leasehold land in the PRC, amounted to RMB36,938,000, was recognised as right-of-use assets. In addition, the Group entered into new lease agreements for the use of properties for 2 to 5 years. The Group is required to make fixed payments during the contract period. On lease commencement, the Group recognised RMB4,491,000 of right-of-use assets and RMB4,491,000 lease liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

12. INTEREST IN AN ASSOCIATE

On 19 March 2019, the Group acquired 36.71% equity interest of Suzhou Ruiming Bioscience Technology Limited* ("SRBT") for a cash consideration of RMB2,900,000. Upon the completion of the transaction, SRBT became an associate of the Group.

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Cost of investment in an associate	2,900	–
Share of post-acquisition loss and total comprehensive expense	(160)	–
	2,740	–

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Country of establishment	Principal place of business	Proportion of ownership interest held by the Group: As at 30 June 2019	Proportion of ownership interest held by the Group: As at 31 December 2018	Proportion of voting right held by the Company: As at 30 June 2019	Proportion of voting right held by the Company: As at 31 December 2018	Principal activities
SRBT 蘇州睿明生物技術有限公司	The PRC	The PRC	36.71%	–	36.71%	–	Provision of research and development and consultancy service

13. TRADE RECEIVABLES

The Group allows an average credit period from 30 to 45 days to its trade customers.

The following is an analysis of trade receivables by age (net of loss allowance) presented based on invoice dates.

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0 to 30 days	119,594	–
31 to 90 days	17,593	–
	137,187	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

14. OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Deposits *(Note a)*		
– current	4,278	4,079
– non-current	8,295	8,305
Prepayment		
– current *(Note b)*	165,548	48,747
– non-current *(Note c)*	341,436	245,249
Amount due from a partner of a joint operation *(Note d)*		
– current	12,862	6,986
Deposits for leasehold interest in land *(Note e)*		
– current	5,430	2,715
– non-current	–	2,715
Value added tax recoverable *(Note f)*		
– current	33,363	31,004
– non-current	83,628	56,152
Others		
– current	2,008	–
	656,848	405,952
Less: loss allowance	(932)	(1,715)
	655,916	404,237
Analysed as		
– current	222,557	92,630
– non-current	433,359	311,607
	655,916	404,237

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

14. OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes:

(a) Deposits mainly include rental and utility deposits.

(b) Prepayments mainly include upfront fee paid for research and development services for the clinical and non-clinical study of the drugs. Prepayments also include other prepaid operating expenses.

(c) Amount represents prepayments for construction in progress and acquisition of property, plant and equipment.

(d) The amount is unsecured, non-interest bearing and repayable on demand.

(e) In December 2016, the Group paid a refundable and interest-bearing deposit amounting to RMB13,574,000 to Development and Construction Management Committee of Shanghai Lingang industrial area for acquiring the use right of a land located in Shanghai Lingang Industrial Area ("Shanghai Lingang") in order to construct its industrialisation facility to produce future drug pipelines. 60% of the deposit of RMB8,144,000 with interest income of RMB15,000 amounting to RMB8,159,000 was refunded upon the commencement of the construction in August 2017, 20% of the deposit will be refunded upon completion of the construction and the remaining 20% of the deposit will be refunded upon the commencement of production. The management expected the facility will be completed within one year subsequent to the end of reporting period.

RMB5,430,000 (As at 31 December 2018: RMB2,715,000) is expected to be recovered within the next twelve months from the end of the period/year end date and therefore presented as current assets as at 30 June 2019 and the remaining balance as non-current assets.

(f) Included in value added tax recoverable are RMB33,363,000 (2018: RMB31,004,000) value added tax recoverable presented as current assets as at 30 June 2019 since they are expected to be deducted from future value added tax payable arising on the Group's revenue which are expected to be generated within the next twelve months from the end of 30 June 2019. The remaining value added tax recoverable of RMB83,628,000 (2018: RMB56,152,000) are expected to be recovered after 30 June 2020 and therefore presented as non-current assets as at 30 June 2019.

15. RESTRICTED BANK DEPOSIT/BANK BALANCES AND CASH

Restricted bank deposit represents the deposit restricted for settlement to the supplier for acquisition of equipment. The restricted bank deposit will be released on 31 January 2020.

Bank balances and cash of the Group comprised cash and short-term bank deposits with an original maturity of three months or less. Bank balances carrying interest at market rates which ranged from 0.01% to 3.20% per annum at 30 June 2019 (31 December 2018: 0.125% to 1.00% per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

16. TRADE AND OTHER PAYABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade payables		
– related parties *(Note a)*	–	3,620
– third parties	47,430	36,558
Accrued expenses in respect of		
– construction cost of properties under construction	64,012	80,025
– research and development expenses *(Note b)*	76,136	81,049
– selling and distribution expenses	24,947	7,867
– others	14,681	13,394
Salary and bonus payables	69,051	50,901
Other tax payables	10,865	2,126
Payables for issue costs	3,264	14,415
Other payables	1,270	1,367
	311,656	291,322

Notes:

(a) Amount represents trade payable to United-Power Pharma Tech Co., Ltd. ("UPPT"), an associate of Beijing Zhengdan International Co., Ltd. ("BJZD"). The balance was settled during the six months ended 30 June 2019.

(b) Amount included service fees paid to outsourced service providers including contract research organisations and clinical trial sites.

Payment terms with suppliers are mainly with credit term of 15 to 60 days (2018: 15 days to 60 days) from the time when the goods and services are received from the suppliers. The following is an aging analysis of trade payables presented based on invoice date at the end of the reporting period:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0 to 30 days	35,912	33,372
31 to 60 days	5,334	198
61 to 180 days	3,068	81
Over 180 days	3,116	6,527
	47,430	40,178

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

17. BORROWINGS

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Bank borrowings		
– secured	390,578	150,225
– unsecured	159,633	18,132
	550,211	168,357
Other borrowings – unsecured	–	160,275
Total borrowings	550,211	328,632
The maturity profile of bank and other borrowings is as follows:		
– within one year	159,955	178,632
– within a period of more than one year but not exceeding five years	390,256	150,000
	550,211	328,632
Less: amount due within one year shown under current liabilities	(159,955)	(178,632)
Amount shown under non-current liabilities	390,256	150,000

The exposures of the Group's borrowings are as follows:

Fixed-rate borrowings	480,081	178,407
Variable-rate borrowings	70,130	150,225
Total borrowings	550,211	328,632

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

17. BORROWINGS (Continued)

The effective interest rates (which are also equal to contracted interest rates) on the bank and other borrowings are as follows:

Effective interest rate per annum:	**As at 30 June 2019**	As at 31 December 2018
Variable-rate bank borrowings	**5.66% per annum**	6.65% per annum
Fixed-rate bank borrowings	**4.35 – 5.23% per annum**	4.35% per annum
Fixed-rate other borrowings	**–**	5.66% – 10.50% per annum

The Group's variable-rate bank borrowings carry interest at 30% above the People's Bank of China benchmark lending interest rate for one year borrowings (2018: 40% above the People's Bank of China benchmark lending interest rate for one to five years borrowings).

18. CONVERTIBLE LOAN NOTES

On 9 February 2018, the Company obtained no objection letter from the Shanghai Stock Exchange for the issue of convertible loan notes in a principal amount of no more than RMB500,000,000. On 23 February 2018, the Company issued convertible loan notes in a principal amount of RMB200,000,000 to qualified investor. The major terms and conditions of the convertible loan notes are as follows:

(a) Maturity

The maturity date for the convertible loans notes is 23 February 2024 ("Maturity Date") which is 6 years from the date of issue of the convertible loan notes.

(b) Interest rate

The Company shall pay a non-compound coupon rate at 10.35% per annum. Interest is due and repayable on 3rd, 4th, 5th and 6th anniversary dates of bond issuance.

(c) Conversion price

The bond matures in six years from the date of issuance at its nominal value of RMB200,000,000, which can be converted into ordinary shares of the Company at an original conversion price of RMB25 per share, subject to adjustments for distribution of bonus shares or capital, issuance of new shares or rights issue and distribution of cash dividends. In addition, after getting approval from shareholders' meeting, the Company has the right to adjust down the conversion price, which shall not be lower than the audited net assets value per share of the Company in accordance with the latest audited financial statements. The conversion price of the convertible loan note was adjusted to RMB23.19 with effective from 25 December 2018 as a result of the issue of new H Shares, and it was adjusted further down to RMB23.00 with effective from 10 January 2019 as a result of the issuance of over-allotment share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

18. CONVERTIBLE LOAN NOTES (Continued)

(d) Redemption

Bondholders are entitled to an option to early redeem at 3 years before Maturity Date the whole or part of the principal outstanding amount of the convertible loan notes at principal amount, together with accrued but unpaid interest thereon.

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company has the right to redeem the convertible loan note at 100% of its principal amount, together with accrued but unpaid interest thereon.

The Group and the Company have designated the convertible loan notes as financial liabilities measured at FVTPL as a whole. The change in fair value of the convertible loan notes is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income.

The movement of the convertible loan notes for the period is set out as below:

	Fair value of convertible loan notes
	RMB'000
At 23 February 2018 (date of issuance)	200,000
Change in fair value charged to profit or loss *(Note 5)*	9,601
At 30 June 2018 and 1 July 2018 (Audited)	209,601
Change in fair value charged to profit or loss	22,795
Change in fair value charged to other comprehensive income attributable to change in credit risk	9,367
At 31 December 2018 (Audited)	241,763
Change in fair value charged to profit or loss *(Note 5)*	(14,513)
At 30 June 2019 (Unaudited)	227,250

The Company has used the binomial option pricing model to determine the fair value of the convertible loan notes as of the dates of issuance and at the end of each period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

18. CONVERTIBLE LOAN NOTES (Continued)

Key valuation assumptions used to determine the fair value of convertible loan notes are as follows:

	Notes	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018 (Audited)
Share price	*(c)*	**N/A**	RMB19.00
Discount rate		**22.00%**	18.00%
Time to maturity	*(a)*	**0.02 year**	5.15 years
Risk-free rate		**2.65%**	3.03%
Expected volatility	*(b), (c)*	**N/A**	43.00%
Expected dividend yield		**0.00%**	0.00%

Notes:

(a) The time to maturity was reduced from 5.15 years at 31 December 2018 to 0.02 year at 30 June 2019 for the effect of the Early Redemption of Convertible Loan Notes (as defined at Note 24).

(b) The expected volatility was determined by using the historical volatility of the share price of the comparable companies with similar business nature of the Company as of the valuation dates.

(c) Upon the effective of the Early Redemption of Convertible Loan Notes (as defined at Note 24), the conversation option is no longer exist. Therefore, share price and expected volatility are not applicable to the binomial option pricing model.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

19. SHARE CAPITAL

	Total number of shares	Amount RMB'000
Registered, issued and fully paid at RMB1.0 per share:		
At 1 January 2018 (Audited)	584,750,000	584,750
Issue of domestic ordinary shares by private equity placement on 7 March 2018 *(Note a)*	16,650,000	16,650
At 30 June 2018 (Audited)	601,400,000	601,400
H shares issued upon initial public offering *(Note b)*	158,910,000	158,910
At 31 December 2018 (Audited)	760,310,000	760,310
H shares issued upon over-allotment options exercised *(Note c)*	23,836,500	23,837
At 30 June 2019 (Unaudited)	**784,146,500**	**784,147**

Notes:

(a) On 7 March 2018, the Company completed an issue of 16,650,000 domestic ordinary shares. The net proceeds received from the issue amounted to RMB297,955,000, after deduction of issue expenses of RMB1,745,000. Part of the proceeds, amounting to RMB16,650,000, was credited as issued and fully paid share capital, and the remaining balance (after deduction of issue expenses) of RMB281,305,000 was credited to share premium.

(b) On 24 December 2018, the Company issued 158,910,000 new H shares at HK$19.38 (equivalent to RMB17.07) per share for a total gross proceeds of HK$3,079,676,000 (equivalent to RMB2,713,194,000) by way of initial public offering of the Company on the Stock Exchange. The proceeds of RMB158,910,000 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of RMB2,554,284,000 were credited to share premium account of the Company. On the same date, the Company's H shares was listed on the Stock Exchange.

(c) On 9 January 2019, the Company issued 23,836,500 new H shares at HK$19.38 (equivalent to RMB16.94) per share for a total gross proceeds of HK$461,951,000 (equivalent to RMB403,838,000) from the exercise of over-allotment options from initial public offering of the Company on the Stock Exchange. The proceeds of RMB23,836,500 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of RMB380,001,500 were credited to the share premium account of the Company.

All the new shares rank pari passu with the existing shares of the same class in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

20. SHARE-BASED PAYMENT TRANSACTIONS

On 12 March 2018, the Company entered into share incentive agreement ("Share Incentive Agreement") with eligible employees pursuant to which the Company agreed to grant up to 6,023,000 share options, with exercise price of RMB9.2 per share. The Company's share incentive scheme (the "Scheme") was adopted subsequently pursuant to a resolution passed on 14 May 2018, for the primary purpose of providing incentives or rewards to eligible persons for their contribution or potential contribution to the Group. Eligible persons including but not limited to the Group's shareholders, directors, supervisors, senior management and employees. The options are vested as follows:

On 1st anniversary of the first trading day following the end of the 12 months from 12 March 2018	25% vest
On 2nd anniversary of the first trading day following the end of the 24 months from 12 March 2018	further 35% vest
On 3rd anniversary of the first trading day following the end of the 36 months from 12 March 2018	remaining 40% vest

Subject to the respective terms of issue, options may be exercised at the end of the vesting period. If the employees choose not to exercise the options on the expiry date, the options will expire at the end of the date and no longer exercisable.

On 17 June 2019, a resolution of amendments to the Scheme (the "Amended Scheme") was passed in the Annual General Meeting of the Company and was approved by the board of directors. Additional vesting conditions were added into the Scheme and the expiry date of each unvested tranche was extended for 1 year. The change of fair value of the share options at the date of modification resulting from the Amended Scheme is immaterial and not taken into account. The amount of share-based payment expenses recognised continues to be measured based on the grant date fair value and amortised over the original vesting period under the Scheme.

The table below discloses movement of the Company's share options held by the Group's employees (details as modified by the Amended Scheme):

				Number of share options		
Date of grant	Exercise price RMB	Vesting date	Expiry date	Outstanding at 1 January 2019 (Audited)	Forfeited during the period	**Outstanding at 30 June 2019 (Unaudited)**
14 May 2018	9.20	12 March 2019	12 March 2020	1,449,500	(125,500)	**1,324,000**
14 May 2018	9.20	12 March 2020	12 March 2021	2,029,300	(175,700)	**1,853,600**
14 May 2018	9.20	12 March 2021	12 March 2022	2,319,200	(200,800)	**2,118,400**
				5,798,000	(502,000)	**5,296,000**
Exercisable at the end of the period						**1,324,000**
Weighted average exercise price (RMB)				9.20	9.20	**9.20**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following assumptions were used to calculate the fair values of share options at the date of grant (i.e. 14 May 2018):

	Tranche 1	Tranche 2	Tranche 3
Share price *(Note a)*	RMB18.00	RMB18.00	RMB18.00
Exercise price	RMB9.20	RMB9.20	RMB9.20
Expected volatility *(Note b)*	36.40%	31.40%	43.30%
Dividend yield	0%	0%	0%
Risk-free rate	2.90%	3.10%	3.20%
Fair value per option	RMB9.11	RMB9.47	RMB10.34

Notes:

(a) The share price represents the grant date price of the Company's shares on NEEQ.

(b) The expected volatility was determined by using the historical volatility of the share price of the comparable companies with similar business nature of the Company as of the valuation dates.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

21. CAPITAL COMMITMENTS

At the end of the current interim period, the Group had the following capital commitments:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	341,857	383,929

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value measurement and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The finance department of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

	Fair value as at				
Financial assets/ financial liabilities	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Financial products	2,000	5,500	Level 2	Discounted cash flow – Future cash flows are estimated based on expected return, discounted at a rate that reflects the risk of underlying investments	N/A
Funds	16	16	Level 2	Fair value determined based on fair value of underlying debt instruments using discounted cash flow method based on the return from the underlying instruments and quoted market price of underlying equity investment	N/A
Unlisted equity investment	15,000	15,000	2019: Level 3 (2018: Level 2)	2019: Market comparison approach – in this approach, fair value was determined with reference to Enterprise Value-to-Sales ratio ("EV/S ratio"). 2018: Recent transaction price	2019: The higher the EV/S ratio, the higher the fair value. 2018: N/A
Unlisted equity investment	3,000	3,000	Level 2	Recent transaction price	N/A
Convertible loan notes designated at FVTPL	(227,250)	(241,763)	Level 3	Binomial option pricing model – the key inputs are underlying share price, conversion price, discount rate, expected volatility, debt yield and risk-free rate	2019: Discount rate of 22% 2018: Discount rate of 18% and expected volatility of 43%, taking into account the historical volatility of the comparable companies

There were no transfers between Level 1 and Level 2 during both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 fair value measurements

	Unlisted equity investment RMB'000	**Convertible loan notes designated at FVTPL** RMB'000
At 23 February 2018 (date of issuance)	–	(200,000)
Fair value change in profit or loss during the period *(Note 5)*	–	(9,601)
At 30 June 2018 and 1 July 2018 (Audited)	–	(209,601)
Fair value change in profit or loss during the period	–	(22,795)
Fair value change in other comprehensive income attributable to change in credit risk during the period	–	(9,367)
At 1 January 2019 (Audited)	–	(241,763)
Transfer into of Level 3 due to change of valuation technique	15,000	–
Fair value change in profit or loss during the period *(Note 5)*	–	14,513
At 30 June 2019 (Unaudited)	15,000	(227,250)

Fair value gains on convertible loan notes designated at FVTPL of RMB14,513,000 (for the six months ended 30 June 2018: fair value loss RMB9,601,000) are included in "other gains and losses", in which the effective interest of the convertible loan notes amounting to RMB9,906,000 (for the six months ended 30 June 2018: RMB7,720,000) capitalised in construction-in-progress during the six months ended 30 June 2019.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amount of financial assets and liabilities measured at amortised cost in the condensed consolidated financial statements approximates the fair value based on the discounted cash flow analysis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

23. RELATED PARTIES DISCLOSURES

Except as disclosed elsewhere in the condensed consolidated financial statements, the Group had also entered into the following transactions with related parties:

(a) Sales to related parties – discontinued operations

Name of related parties	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
BJZD	–	141
UPPT	–	105
Beijing Junke Huaren Pharma Tech Co., Ltd.* ("JKHR") *(Note)*	–	2
	–	248

Note: JKHR is a wholly-owned subsidiary of UPPT.

(b) Research and development expenses incurred

Name of related parties	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
BJZD	–	226
UPPT	7,200	6,491
	7,200	6,717

(c) Interest expenses incurred

Name of related parties	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Shenzhenshi Qianhai Hehong Investment Co., Ltd* 深圳市前海和弘投資有限公司	456	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

23. RELATED PARTIES DISCLOSURES (Continued)

(d) Compensation of directors and key management personnel

The remuneration of directors of the Company and other members of key management during both periods were as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Short-term benefits	**16,487**	6,725
Performance bonus	**3,394**	–
Share-based payment	**431**	–
Post-employment benefits	**316**	275
	20,628	7,000

The remuneration of key management personnel is determined by the management of the Company having regard to the performance of individuals and market trends.

24. SUBSEQUENT EVENTS

On 25 June 2019, the Group announced to exercise its right to redeem the convertible loan notes ("Early Redemption of Convertible Loan Notes") from those bondholders who have not applied for conversion to shares in the latest conversion declaration period at nominal value of the bond plus the accrued interests. The number of convertible loan notes to be redeemed is 2,000,000 with total amount of RMB228,242,800 (including principal and interest upon redemption date). The date of redemption is 5 July 2019, and the distribution date of redemption fund is 8 July 2019. The fair value of the convertible loan notes as at the end of the reporting period is approximate to the redemption amount as at redemption date.

DEFINITIONS

2018 Convertible Bonds	innovative start-ups convertible bonds 創新創業可轉換公司債券 issued by the Company
Articles of Association	articles of association of the Company
Audit Committee	the audit committee of the Company
Board of Supervisors	the Company's board of Supervisors
Board or Board of Directors	the Company's board of Directors
CG Code	Corporate Governance Code in Appendix 14 to the Listing Rules
Companies Ordinance	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong
Company	Shanghai Junshi Biosciences Co., Ltd.* 上海君實生物醫藥科技股份有限公司
Core Product	as defined in Chapter 18A of the Listing Rules; for the purpose of this interim report, the Group's Core Product is JS001
CSRC	China Securities Regulatory Commission
Director(s)	director(s) of the Company
Domestic Share(s)	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in Renminbi and are listed on the NEEQ
FDA	U.S. Food and Drug Administration
Global Offering	as defined in the Prospectus
Grantee(s)	person(s) being granted Pre-IPO Option(s) under the Share Incentive Scheme and the Share Incentive Agreements
Group	the Company and its subsidiaries

DEFINITIONS

H Share(s)	overseas-listed share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and are listed on Hong Kong Stock Exchange
HKD or HK$	Hong Kong dollars, the official currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of PRC
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules
NEEQ	National Equities Exchange and Quotations
NMPA	National Medical Products Administration of China
Over-allotment Option	as defined in the Prospectus
PRC or China	the People's Republic of China
Pre-IPO Options	option(s) granted by the Company to certain employees as share incentive under the Share Incentive Scheme and the Share Incentive Agreements
Prospectus	the prospectus of the Company dated 11 December 2018
R&D	research and development
Reporting Period	the six months ended 30 June 2019
RMB	Renminbi
SFO	the Securities and Futures Ordinance, Charter 571 of the laws of Hong Kong
Share Incentive Agreement(s)	contract(s) entered into between the Company and the respective grantee(s) in March 2018 in relation to the grant of the Pre-IPO Option(s)

DEFINITIONS

Share Incentive Scheme	Company's Share Incentive Scheme approved and adopted by its Shareholders on 14 May 2018
Share(s)	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Shares and Domestic Shares
Shareholder(s)	holder(s) of the Share(s)
Stock Exchange or Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
USD	United States dollars
U.S.	the United States
%	per cent

In this interim report, the terms "associate", "close associate", "connected person", "connected transaction", "controlling shareholder", "core connected person", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese are translations of the Chinese names. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

* *For identification purpose only*