Henlius

SHANGHAI HENLIUS BIOTECH, INC.
上海復宏漢霖生物技術股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 2696

2019 ANNUAL REPORT

MISSION

To improve patients' lives by timely providing them with quality and affordable protein therapeutics through technical innovation and operational excellence.

VISION

Be the most trusted and admired biotech company providing innovative and affordable medicines for all patients.

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive director

Scott Shi-Kau Liu (*Chief Executive Officer*)

Non-executive directors

Qiyu Chen (陳啟宇) (*Chairman*)
Yifang Wu (吳以芳)
Xiaohui Guan (關曉暉)
Aimin Hui
Jiemin Fu[1] (傅潔民)
Zihou Yan[2] (晏子厚)

Independent non-executive directors

Tak Young So (蘇德揚)
Lik Yuen Chan (陳力元)
Guoping Zhao (趙國屏)
Ruilin Song (宋瑞霖)

SUPERVISORS

Yong Zhou (周勇) *(Chairman)* [3]
Kun Dai (戴昆) *(Chairman)* [4]
Deli Kong (孔德力)
Jingyi Wang (王靜怡)

AUDIT COMMITTEE

Tak Young So (蘇德揚) *(Chairman)*
Lik Yuen Chan (陳力元)
Xiaohui Guan (關曉暉)

NOMINATION COMMITTEE

Qiyu Chen (陳啟宇) *(Chairman)*
Guoping Zhao (趙國屏)
Ruilin Song (宋瑞霖)

REMUNERATION COMMITTEE

Ruilin Song (宋瑞霖) *(Chairman)*
Lik Yuen Chan (陳力元)
Yifang Wu (吳以芳)

STRATEGY COMMITTEE

Qiyu Chen (陳啟宇) *(Chairman)*
Scott Shi-Kau Liu
Yifang Wu (吳以芳)
Aimin Hui
Jiemin Fu[1] (傅潔民)
Zihou Yan[2] (晏子厚)
Tak Young So (蘇德揚)
Ruilin Song (宋瑞霖)

Note:

1. Mr. Jiemin Fu (傅潔民) resigned as a non-executive Director and a member of the Strategy Committee on 19 February 2020.

2. Mr. Zihou Yan (晏子厚) was appointed as a non-executive Director and a member of the Strategy Committee on 19 February 2020.

3. Mr. Yong Zhou (周勇) resigned as a supervisor and the chairman of the board of supervisors on 19 February 2020.

4. Ms. Kun Dai (戴昆) was appointed as a supervisor and the chairman of the board of supervisors on 19 February 2020.

JOINT COMPANY SECRETARIES

Xinjun Guo (郭新軍)
Ching Ching Leung (梁晶晶) *(Fellow of the Hong Kong Institute of Chartered Secretaries)*

AUTHORISED REPRESENTATIVES

Scott Shi-Kau Liu
Ching Ching Leung (梁晶晶)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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Xuhui District
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PRC

REGISTERED OFFICE IN CHINA

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PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

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Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISER

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189 Des Voeux Road Central
Central
Hong Kong

AUDITOR AND REPORTING ACCOUNTANTS

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Certified Public Accountants
22nd Floor, CITIC Tower
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Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong and U.S. laws:
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55th Floor, One Island East
Taikoo Place, Quarry Bay
Hong Kong

As to PRC law:
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Shanghai
PRC

STOCK SHORT NAME

HENLIUS – B

STOCK CODE

2696

COMPANY WEBSITE

www.henlius.com

CHAIRMAN'S STATEMENT

INNOVATION LEADS TO SUSTAINABILITY, PROMOTING GLOBAL BIOPHARMACEUTICAL INNOVATION AND DEVELOPMENT

Thanks to all investors, your trust is an important driving force for our continuous innovation. We will be committed to "becoming the most trusted and admired biotech company" and promoting the global biopharmaceutical innovation and development to create values and benefit patients!

Dear Shareholders,

At the turn of the decade in Henlius, I am pleased to present to you our performance in 2019. With the long-term attention and support from all walks of life, especially investors, Henlius people endeavoured to move forward, having its shares listed on the Stock Exchange in September 2019, successfully entered in the capital market, and kicked off a new journey.

The biopharmaceutical industry in China has ushered in a landmark watershed. Henlius has been committed to providing high-quality and affordable biopharmaceuticals to patients around the world, and the R&D and production of biopharmaceuticals in accordance with the standards of the EU, China and the United States, which is fully in line with the trend of the current national policies. The approval of the first biosimilar drug in China, 漢利康, is not only a product that conforms to the general trend of the pharmaceutical industry, but also another milestone in the growth process of Henlius, which established a new pattern for China's biopharmaceutical market and opened a new era for biosimilar drugs in China.

Looking back, the scene of the first meeting with the two founders is still vividly remembered, and the original intention of benefiting more patients around the world has always existed at the core of Henlius. Many things that seemed impossible years ago, are made to real one by one with our determination and perseverance of trying and breaking through. Henlius experienced many challenges and took the lead in applying single-use production technology in China and actively exploring continuous Flow technology; the adheres to the way of internationalisation and applying for the marketing of HLX02 (trastuzumab for injection) for listing in Europe, making it the first domestic biosimilar drug having its application accepted by the European Union; the launch in full of the strategy of "Combination Therapy + Internationalisation" with self-innovated anti-PD-1 monoclonal antibody HLX10 as the core... We insist on doing the right things, the difficult things, and the things that need time to accumulate. It is this sincerity that makes today's Henlius.

The year of 2020 is a key year for Henlius to enter a new stage. In order to continue to move towards a bio-pharmaceutical company that integrates an entire-biopharmaceutical-industry-chain platform integrating R&D, production and commercialisation, we are facing the challenge of corporate transformation. The road is long and difficult, but the destination will eventually reach. In the next decade, we will continue to move forward along the road of internationalisation. We will adhere to standards in business operations with the concept of "smart innovation" and establish a long-term balance mechanism between costs and benefits, while maintaining tolerance and vitality, to attract more outstanding talents, provide young people with a better platform for development and growth, and fully realise the three excellences in "values", "abilities" and "results".

Finally, on behalf of the board of directors, I would like to express my sincere gratitude to the shareholders and all walks of life for their long-term trust and continuous support. I would like to express my sincere gratitude to all employees and the management team for their outstanding contributions to the Group! We expect to promote better development of product pipelines in the near future, create more value for patients, and return investors with excellent results.

Chairman
Qiyu Chen

CHIEF EXECUTIVE OFFICER'S REVIEW

COMPETE GLOBALLY AND CONSTRUCT MULTI-DIMENSIONALLY WITH OUR COMPREHENSIVE CORE INNOVATION CAPABILITY

Dear Shareholders,

The recently-passed 2019 is a milestone year for Henlius. We have officially landed on the Hong Kong capital market and commenced a new journey. In retrospect, each product progress and update, each exploration of international cooperation, and each improvement on operational management, has been witnessing the growth of Henlius all the way. In this occasion, I am honoured to present to you the first annual report of Henlius and report on the Group's next development plan.

This year, we made every effort to promote the commercialisation of our core products with a view to occupying and striving to expand our first-mover advantage. The birth of China's first biosimilar drug, 漢利康 (HLX01) (rituximab), has brought high-quality and affordable biopharmaceuticals to the patients with NHL, improving drug accessibility; HLX02 (trastuzumab for injection) went abroad and became the first "Chinese" biosimilar drug accepted by the European Union; meanwhile, the application for NDA of both HLX02 and HLX03 (adalimumab injection) were accepted by the NMPA and included in its priority review process, both HLX02 and HLX03 are expected to serve patients in 2020.

This year, we continued to advance the products under development into their clinical stage and fully launched the differentiation strategy of "Combination Therapy + Internationalisation". With anti-PD-1 monoclonal antibody HLX10 as the core in combination with other products, Henlius actively created diversified combination therapies based on its own products. We launched the first domestic clinically approved mAb combination therapy – Phase 2/3 clinical trial of HLX10 in combination with HLX04 (bevacizumab), and 4 phase 3 clinical trials of HLX10 combination therapy, covering various solid tumour indications such as lung cancer, gastric cancer, hepatocellular carcinoma, and esophageal squamous cell carcinoma. In addition, we have extensively deployed a variety of targets, launched clinical trials in multiple countries and regions worldwide, and have applied for 7 clinical trial applications in Mainland China and Taiwan, China, 6 of which have obtained clinical approval, including VEGF, HER2, PD-1, c-MET and other targets.

This year, we continued to deepen and build an entire-biopharmaceutical-industry-chain platform integrating R&D, production and commercialisation. Mr. Wenjie Zhang, our President, has extensive experience in commercial operations in the biopharmaceutical industry. Under his leadership, the Group has now established a professional and efficient international business operation team to steadily promote the implementation of the Company's commercialisation strategy and move the Company towards a new phase of business operations. In order to meet the growing demand for global production capacity, we set out to establish the Songjiang Second Plant in accordance with the international GMP standards, as the building block of the Company's full commercial production and provision of high-quality and affordable products, so as to continue advancing Henlius on its way of internationalisation while maintaining quality.

CHIEF EXECUTIVE OFFICER'S REVIEW

This year, we collaborated with well-known domestic and foreign biotechnology and pharmaceutical companies to actively carry out global commercialisation. Henlius strives to bring more affordable and high-quality innovative biomedicines to global patients, especially patients in the emerging markets whose huge medical needs are urgently to be met. To this end, we have reached a commercial cooperation with KG Bio for the development and commercialisation of HLX10 in 10 countries in Southeast Asia; and in conjunction with Farma De Colombia, we promoted the commercialisation of 漢利康 Colombia, Peru, Ecuador and Venezuela. Besides, we worked with Ascentage Pharma to explore more possibilities of 漢利康 and APG-2575 (Bcl-2 selective inhibitor) for the treatment of chronic lymphocytic leukemia; and collaborated with Wuxi Diagnostics on the development and application of PD-L1 companion diagnostic kit to help patients get more precise treatment.

This year, we have actively fulfilled our commitments and responsibilities to patients, employees, partners, and communities. In terms of quality management, the Company has established an international standard quality system, covering the entire life cycle from research and development to material management, product production, quality control, product supply chain management, and product tracking after the product launch. In terms of social welfare, we have made an agreement with Shanghai Fosun Public Welfare Foundation to set up Henlius Special Public Welfare Fund to carry out public welfare activities such as "漢利康 NHL – Charity Trip with Science and Technology", "Breast Cancer Patient Care Program", and provide more patients with professional knowledge and positive guidance. In addition, the Company actively participated in poverty alleviation, and continued to assist Yonghe County, a poor county in Shanxi Province, with targeted assistance to help the country fight poverty and overcome difficulties.

RELIANCE ON SCIENCE AND SPECIALTY, AND INNOVATION IN MULTIPLE DIMENSIONS

Standing at a new starting point, we always remind ourselves to face up to the challenges during the transformation period with the pursuit of excellence and ambition as our core value. In the future, we will focus on the product portfolio, production capacity and commercial operations to further strengthen our leading position in biopharmaceutical industry in China. In the current environment of encouraging biomedical innovation, it has been a regular issue for us to find out how to achieve sustainable innovation. In terms of R&D technology, we will actively explore and continue to promote the application of innovative technologies. For our product portfolio, we take full advantage of the mature targets as a starting point, effectively control the innovation risks in the biological dimension, and focus on the development of innovative drugs for tumour immunotherapy related targets, striving to create an optimal product portfolio. In addition, we also place our attention to to the innovation of production processes, business models, as well as innovation on management and strategy. By establishing an excellent team of scientists, we strictly control innovation risks and enhance our core innovation capabilities in multiple dimensions.

Henlius will continue to take innovation as the driving force, consolidate its established advantages in R&D, production, and pharmaceutical administration, continue its research and development efforts, produce innovative and affordable biopharmaceuticals with high quality, so as to fully embrace our transition from a Biotech to a Biopharma company. We will explore valiantly and compete globally, and continue to work for the benefit of more patients worldwide.

We sincerely thank all investors and all sectors of the society for their long-term care. Adhering to the core values of "quality, speed, and innovation", all of our colleagues and management team are prepared to seize the opportunities to strive for great achievements, bring health and well-being to patients, and bravely take on the social responsibility, so as to create value for our shareholders, employees and the society, advancing forward with our vision of "becoming the most trusted and admired biotech company".

Co-founder and Chief Executive Officer
Scott Shi-Kau Liu

I. FINANCIAL SUMMARY

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Revenue	**90,929**	7,421
Cost of sales	**(71,821)**	(5,398)
Gross profit	**19,108**	2,023
Other income and gains	**24,674**	30,308
Selling and distribution expenses	**(45,689)**	–
Administrative expenses	**(174,834)**	(109,050)
Impairment losses on financial assets	**(5,300)**	–
Research and development expenses	**(607,827)**	(365,382)
Other expenses	**(36,635)**	(223)
Financial costs	**(48,307)**	(57,896)
Loss before tax	**(874,810)**	(500,220)
Income tax expense	**(655)**	(4,569)
Loss for the year	**(875,465)**	(504,789)

Total revenue was RMB90.9 million for the year ended 31 December 2019, as compared to RMB7.4 million for the year ended 31 December 2018. For the year ended 31 December 2019, such revenue was from drug sales, R&D services provided to customers, and licence income.

Research and development expenses increased by RMB242.4 million to RMB607.8 million for the year ended 31 December 2019, compared to RMB365.4 million for the year ended 31 December 2018, primarily due to the clinical trials of biopharmaceutical candidates.

Selling, marketing and business development expenses were RMB45.7 million for the year ended 31 December 2019, primarily due to the expansion of our sales and marketing capacity and activities in preparation for the drug candidates.

Total loss increased by RMB370.7 million to RMB875.5 million for the year ended 31 December 2019, compared to RMB504.8 million for the year ended 31 December 2018, primanly due to the expansion of R&D activities.

II. FIVE YEARS' FINANCIAL SUMMARY

Results

	2019	2018	2017	2016	2015
			RMB'000		
Revenue	**90,929**	7,421	33,910	38,109	236
Loss before tax	**(874,810)**	(500,220)	(379,997)	(93,008)	(69,796)
Income tax expense	**(655)**	(4,569)	(4,330)	–	–
Loss for the year	**(875,465)**	(504,789)	(384,327)	(93,008)	(69,796)
Loss for the year attributable to owners of the parent	**(875,465)**	(493,686)	(270,562)	(74,369)	(63,797)

Assets and liabilities

	2019	2018	2017	2016	2015
			RMB'000		
Total assets	**5,899,817**	3,094,790	1,484,517	828,668	414,146
Total liabilities	**(1,899,402)**	(1,292,241)	(1,560,507)	(329,458)	(233,906)
Net assets	**4,000,415**	1,802,549	(75,990)	499,210	180,240

III. HIGHLIGHTS OF THE YEAR

PRODUCTS THAT HAVE BEEN COMMERCIALISED AND WITH NEAR-TERM COMMERCIAL VISIBILITY

HLX01漢利康 (Rituximab)

NDA was approved by the NMPA in February 2019, and its first prescription was issued in May 2019. HLX01 became the first domestic biosimilar. Phase 1/2 clinical trial for the treatment of RA indications was completed, and the enrollment of patients for phase 3 clinical trial has been completed.

HLX02 (trastuzumab)

NDA was accepted by the NMPA in April 2019 and is currently in the priority review process; the MAA was accepted by the EMA in June 2019.

HLX03 (adalimumab)

NDA was accepted by the NMPA in January 2019 and is currently in the priority review process.

HLX04 (bevacizumab)

The enrollment of patients for phase 3 clinical trial has been completed.

OVERALL LAYOUT OF IMMUNO-ONCOLOGY COMBINATION THERAPIES

HLX10 (innovative anti-PD-1 mAb)

In August 2019, phase 2 clinical study for the treatment of unresectable or metastatic microsatellite instability-high or mismatch repair-deficient solid tumours that have failed standard treatment completed the first patient dosing in Mainland China; In December 2019, Phase 2 clinical trial for the treatment of chronic hepatitis B has completed the first patient dosing in Taiwan, China.

HLX10+chemotherapy

Phase 3 clinical trials of 4 HLX10 combination chemotherapies have completed the first patient dosing, whose indications cover (locally advanced/ metastatic esophageal squamous cell carcinoma, extensive small cell lung cancer, gastric cancer, locally advanced or metastatic squamous non-small cell lung cancer.

HLX10+HLX04

2 clinical trials of HLX10 in combination with HLX04 have completed the first patient dosing, whose indications cover metastatic non-squamous non-small cell lung cancer (phase 3 clinical trial) and advanced hepatocellular carcinoma (phase 2 clinical trial).

HLX10+HLX07

An application of HLX10 in combination with HLX07 for the treatment of recurrent or metastatic squamous cell carcinoma of the head and neck was approved by the NMPA.

OTHER PRODUCTS UNDER RESEARCH

HLX22 (innovative anti-HER2 mAb) and HLX12 (ramucirumab biosimilar)

Phase 1 clinical trial has completed the first patient dosing in Mainland China in July 2019 and June 2019, respectively.

HLX55 (innovative anti-c-MET mAb)

The clinical trial applications for the treatment of solid tumours were approved by the "Ministry of Health and Welfare" of Taiwan, China and the NMPA in September 2019 and October 2019, respectively.

HLX11 (Pertuzumab)

The clinical trial application for the treatment of breast carcinoma was accepted by the NMPA in October 2019.

HLX04 (bevacizumab)

The clinical trial application for wet age-related macular degeneration and diabetic retinopathy indications was approved in January 2019.

DEVELOPMENT MILESTONE OF THE GROUP

On 25 September 2019

the Company's H Shares were listed on the main board of the Stock Exchange (stock code: 2696).

In June 2019

the Phase I project (first stage) of Songjiang Second Plant with a total planned area of 200 mu has officially commenced.

INTERNATIONALISED BUSINESS COOPERATION

In September 2019

the Group reached an agreement with KG Bio, granting it exclusive development and commercialisation rights for several indications and combination therapies of HLX10 in 10 countries in Southeast Asia. According to the agreement, the Group is entitled to the prepayment of US$10,000,000, a total of not more than US$672,000,000 in milestone payment, and a fixed royalty of 15% or 18% of annual net sales.

In December 2019

the Group granted Farma De Colombia the exclusive commercialisation license of HLX01 漢利康 in 4 countries in South America. Pursuant to the agreement, the Group is entitled to the contractual payment of US$500,000 and related milestone payments.

IV. OUR PRODUCT PIPELINE

The following table summarises our product and drug candidate pipeline as of the Latest Practicable Date:

Product Pipeline

	Product (Reference Drug)		Target	Indication	Pre-clinical	IND	Phase 1	Phase 2	Phase 3	NDA	Approved for commercialisation	Partner
☆	汉利康 (rituximab)[1]		CD20	Non-Hodgkin lymphoma								
With near-term commercial visibility	HLX01 (rituximab)		CD20	Rheumatoid arthritis[2]								
	HLX02 (trastuzumab)[3]		HER2	Breast cancer and metastatic gastric cancer								accord, Cipla
				MAA has been submitted to the EMA and was accepted								
	HLX03 (adalimumab)[4]		TNF-α	Psoriasis, ankylosing spondylitis and rheumatoid arthritis								
	HLX04 (bevacizumab)		VEGF	Metastatic colorectal cancer and non-squamous non-small cell lung cancer								
				Wet age-related macular degeneration and diabetic retinopathy[2]								
Under clinical research	HLX10	Monotherapy	PD-1	Solid tumours								
				IND was approved in the United States, Taiwan, China and Mainland China								
				Chronic hepatitis B								
				IND was approved in Taiwan, China								
		+ Chemo	PD-1	Metastatic esophageal squamous-cell carcinomas								
				Squamous non-small cell lung cancer								
				Extensive small cell lung cancer								
				Gastric cancer								
				Cervical cancer								
		+HLX04	PD-1+VEGF	Non-squamous non-small cell lung cancer								
				Hepatocellular carcinoma								
		+HLX07	PD-1+EGFR	Squamous cell carcinoma of the head and neck								
	HLX07		EGFR	Solid tumours								
				IND was approved in the United States, Taiwan, China and Mainland China								
	HLX06		VEGFR 2	Solid tumours								
	HLX05 (cetuximab)[5]		EGFR	Metastatic colorectal cancer and squamous cell carcinoma of the head and neck								Jingze
	HLX12 (ramucirumab)		VEGFR 2	Gastric cancer, metastatic non-small cell lung cancer and metastatic colorectal cancer								
	HLX20		PD-L1	Solid tumours								
				IND was approved in Australia and Mainland China								
	HLX22		HER2	Breast cancer and gastric cancer								
	HLX55[6]		c-MET	Solid tumours								
				IND was approved in Taiwan, China and Mainland China								
	HLX11 (pertuzumab)		HER2	Breast cancer								
	HLX13 (ipilimumab)		CTLA-4	Melanoma, renal cell carcinoma and metastatic colorectal cancer								
Pre-clinical	HLX14 (denosumab)		RANKL	Osteoporosis								
	HLX56[7]		DR	Solid tumours								
	HLX26		LAG3	Solid tumours								
	HLX23		CD73	Solid tumours								
	HLX15 (daratumumab)		CD38	Multiple myeloma								
	HLX09		CTLA-4	Solid tumours								
	HLX24		CD47	Solid tumours								
	HLX59		CD27	Solid tumours								
	HLX51		OX40	Solid tumours								
	HLX52		TIM-3	Solid tumours								
	HLX53		TIGIT	Solid tumours								
	HLX58		Claudin 18.2	Solid tumours								
	HLX63		GPC3	Solid tumours								

Tumour-specific target
Angiogenesis target
Tumour immunology target
Combination therapy
Others

(1) Approved by the NMPA in February 2019, being the first domestic biosimilar

(2) Deemed as the bio-innovative product since the reference product has not yet been approved for the relevant indication

(3) Marketing application for HLX02 has been accepted by the NMPA and the EMA, and HLX02 is the first domestic mAb biosimilar to be produced in the EU

(4) Marketing application for HLX03 has been accepted by the NMPA

(5) Commercialisation rights in China have been granted to Shanghai Jingze

(6) Commercialisation rights in certain countries such as China, Southeast Asia, Central Asia and South Asia were obtained

(7) Commercialisation rights in China were obtained

Core products

I. BUSINESS REVIEW

Adhering to our vision of "be the most trusted and admired biotech company providing innovative and affordable medicines for all patients", and benefitting from our efficient biopharmaceutical industry-wide platform that integrates R&D, production and commercialisation into a whole, outstanding global regulatory registration and clinical operational capability as well as comprehensive quality management system, the Group has gradually made significant progress on product R&D and commercialisation during the Reporting Period.

(I) Promoting the sustainable and steadily growing product pipeline

Based on the main product development strategy of combining imitation and innovation, the Group took the lead in launching the first domestic biosimilar, HLX01 (漢利康), and gradually developed innovative mAb products, combining self-developed anti-PD-1 and PD-L1 mAb, being the first to launch combined immunotherapy in China, and prospectively laid out a comprehensive pipeline integrating innovative mAb and tumour combination immunotherapy into a whole. As of the Latest Practicable Date, 1 product has been successfully marketed, 2 products' NDA have been accepted by the NMPA in China, 1 product's MAA has been submitted and accepted in the EU, 15 products and 2 mAb combination therapies have been adopted worldwide, which obtained 35 clinical trial approvals, and carried out more than 20 clinical trials on 10 products and 8 combination therapies in many countries and regions around the world, such as Mainland China, Taiwan, China, Australia, Poland, Ukraine, and the Philippines. In February 2019, the NDA for the first mAb biosimilar HLX01 (漢利康) self-developed by the Group was approved by the NMPA, becoming the first case according to the "The Guiding Principles for Biosimilar" approved for marketed mAb. Since its commercialisation in late May 2019, primarily through the profit sharing arrangements under the cooperation agreement with Fosun Pharmaceutical Industrial Development, the Group achieved a total sales revenue of HLX01 (漢利康) of RMB79.0 million in 2019, and has improved the accessibility of drugs for domestic lymphoma patients. In order to benefit a wider patient population, the Group adopted a differentiated development strategy for HLX01 (漢利康), and concurrently carried out the clinical research of the original drug on rheumatoid arthritis indications that have not yet been approved in China. Currently, the enrollment of patients for Phase 3 clinical trial has been completed.

1. mAb Biosimilars that are expected to be commercialised in the near future

The Group's R&D activities for other core products also achieved significant results during the Reporting Period. In April 2019, the NDA for HLX02 self-developed by the Group was accepted by the NMPA and is currently in the priority review process; in June 2019, the Group and its business partner Accord jointly promoted the submission of a MAA to the EMA on HLX02 and was accepted, becoming the first biosimilar made by China whose MAA was accepted by the EMA; at present, it has completed the EMA GCP inspection, the clinical data was acceptable by the EU for the MAA assessment, and the GMP on-site inspection has been completed and moved forward according to the plan. In October 2019, the Phase 3 clinical study of HLX02 for the treatment of metastatic breast cancer has been completed, which showed that the efficacy is equivalent to the original drug, and the safety and immunogenicity of the treatment for one year are similar to the original one. In January 2019, the NDA for HLX03 self-developed by the Group was accepted by the NMPA and is currently in the priority review process; In July 2019, HLX03 for the treatment of plaque psoriasis indications has completed the phase 3 clinical trial in Mainland China, which showed that the efficacy of HLX03 for moderate to severe plaque psoriasis is equivalent to that of the original drug, and it is similar to the original drug in terms of safety, immunogenicity and pharmacokinetics. As of the Latest Practicable Date, the Phase 3 clinical trial of the Avastin biosimilar HLX04 (recombinant humanised anti-VEGF monoclonal antibody injection) developed by the Group has completed the enrollment of patients and is preparing for submitting the NDA for its metastatic non-squamous non-small cell lung cancer indications and metastatic colorectal cancer indications to the NMPA.

2. Continuous and efficient advancement on clinical research products

As of the Latest Practicable Date, the Group has established a highly efficient and experienced global clinical development team to actively promote the clinical research of multiple candidate drugs in multiple locations around the world, and achieved promising progress. HLX10 (PD-1) is the core innovative mAb in the Group's product pipeline. At present, HLX10 (PD-1) has been successively approved for clinical trials in the United States, Taiwan, China and Mainland China. In August 2019, the Phase 2 clinical study of HLX10 (PD-1) for the treatment of unresectable or metastatic microsatellite instability-high or mismatch repair-deficient solid tumours (MSI-H/dMMR) that failed standard treatment completed the first patient dosing in Mainland China; in December 2019, the Phase 2 clinical trial of HLX10 (PD-1) for the treatment of chronic hepatitis B completed the first patient dosing in Taiwan, China. While actively promoting the clinical development of HLX10 (PD-1), the Group is also actively implementing the differentiated strategy of "Global + Combo". With HLX10 (PD-1) as the core, and combining with other pharmaceutical products to increase its global presence, clinical trials are being conducted simultaneously in multiple countries and regions worldwide. As of the Latest Practicable Date, "HLX10 + chemotherapy" is used to treat locally advanced/metastatic esophageal squamous cell carcinoma, locally advanced/metastatic squamous non-small cell lung cancer, and previously untreated extensive-stage small cell lung cancer, neoadjuvant/adjuvant treatment of gastric cancer, and advanced cervical cancer that five phase 2/3 clinical trials have all completed the first patient dosing in Mainland China. The "HLX10 + HLX04" Phase 2 clinical trial for the treatment of advanced hepatocellular carcinoma and the Phase 3 clinical trial for the treatment of non-squamous non-small cell lung cancer were both completed in Mainland China. In December 2019, "HLX10 + HLX07", the second monoclonal antibody combination therapy developed by the Group was approved by the NMPA for clinical trial, which is expected to be used in the treatment for advanced solid tumours such as recurrent or metastatic squamous cell carcinoma of the head and neck in the future.

The Group has also promoted clinical research on a number of other products in an orderly manner: As of the Latest Practicable Date, the improved innovative anti-EGFR mAb HLX07 is in the phase 1b/2 clinical trial process and is expected to be used in the treatment for nasopharyngeal cancer, colorectal cancer and other solid tumour indications; the innovative anti-PD-L1 mAb HLX20 is in the phase 1 clinical trial in Australia, which is expected to be combined with other products to develop tumour immunotherapy, and to be widely used in the treatment of solid tumours. Ramucirumab biosimilar HLX12 (recombinant anti-VEGFR2 domain II-III fully humanised monoclonal antibody injection) has completed the first patient dosing of Phase 1 clinical research in Mainland China in June 2019; innovative anti-HER2 mAb HLX22 has completed the first patient dosing of Phase 1 clinical trial in Mainland China in July 2019; the innovative anti-c-MET mAb HLX55 has completed the first patient dosing in March 2020.

3. Accelerating the development of multiple pre-clinical research projects

The Group accelerated the development of the pre-clinical research pipeline simultaneously. As of the Latest Practicable Date, the investigational new drug application of HLX04 (bevacizumab biosimilar) submitted by the Group for treating the indications of wet age-related macular degeneration and diabetic retinopathy has been approved by the NMPA. In January 2020, the IND of Pertuzumab biosimilar HLX11 (recombinant anti-HER2 domain II humanised monoclonal antibody injection) was approved by the NMPA, whose indications include metastatic breast cancer and early breast cancer. The product is expected to be combined with HLX02 or chemotherapy in the adjuvant treatment of HER2-positive breast cancer, neoadjuvant therapy, and treatment of HER2-positive metastatic breast cancer. In January 2020, the IND of ipilimumab biosimilar HLX13 (recombinant anti-CTLA-4 fully humanised monoclonal antibody injection) was accepted by the NMPA, whose indications include: (i) unresectable or metastatic melanoma, (ii) advanced renal cell carcinoma, (iii) microsatellite instability-high or mismatch repair-deficient metastatic colorectal cancer, and (iv) adjuvant melanoma treatment. In March 2020, the IND of Denosumab biosimilar HLX14 (recombinant anti-RANKL fully humanised monoclonal antibody injection) was accepted by the NMPA, whose indication is for postmenopausal osteoporosis in women with high fracture risks. The Group's current development plans and results are summarised in the following table:

Name of product (reference drugs/ targets)	Progress as of the Latest Practicable Date	Other recognitions
Commercialised product		
HLX01 (漢利康)	– In February 2019, NDA approved – In May 2019, the first prescription was made	1. An article was published based on the HLX01 similarity study in *mAbs* 2. In December 2019, Farma De Colombia was granted the exclusive commercialisation rights of HLX01 in Colombia, Peru, Ecuador and Venezuela 3. In November 2019, cooperated with Ascentage Pharma to develop HLX01 combined with APG-2575 for the treatment of chronic lymphocytic leukemia
Products with near-term commercial visibility		
HLX02 (trastuzumab)	– In April 2019, NDA accepted and currently in the priority review process – In June 2019, the MAA accepted, the EMA GCP inspection completed, the clinical data was acceptable by the EU for the MAA assessment, and the GMP on-site inspection completed and moving forward according to the plan	1. In October 2019, Phase 3 clinical study of HLX02 for the treatment of metastatic breast cancer completed 2. An article was published based on the HLX02 similarity study in *BioDrugs*

Name of product (reference drugs/ targets)	Progress as of the Latest Practicable Date	Other recognitions
HLX03 (adalimumab)	– In January 2019, NDA accepted and currently in the priority review process	1. In July 2019, HLX03 for the treatment of plaque psoriasis indication completed the Phase 3 clinical trial in Mainland China, which showed that the efficacy of HLX03 for moderate to severe plague psoriasis is equivalent to that of the original drug, and it is similar to the original drug in terms of safety, immunogenicity and pharmacokinetics
HLX04 (bevacizumab)	– Phase 3 clinical trial completed the enrollment of patients, and NDA being prepared for submission	
HLX01 (漢利康)	– Phase 3 clinical trial of rheumatoid arthritis indications completed the enrollment of patients	
Products under clinical studies being continuously and efficiently promoted		
HLX10 (innovative anti-PD-1 mAb)	– In December 2019, Phase 2 clinical trial for the treatment of chronic hepatitis B completed the first patient dosing in Taiwan, China – In August 2019, phase 2 clinical study for the treatment of unresectable or metastatic microsatellite instability-high or mismatch repair-deficient solid tumours that have failed standard treatment completed the first patient dosing in Mainland China	1. In September 2019, exclusive license to develop and commercialise several indications and combination therapies of HLX10 (PD-1) in 10 countries in Southeast Asia granted to KG Bio 2. In October 2019, jointly explored the global commercial development of PD-L1 companion diagnostic kit with Shanghai Wuxi Diagnostics Co. Ltd.* (上海藥明奧測醫療科技有限公司)
HLX10+HLX04	– Phase 3 clinical trial in progress (metastatic non-squamous non-small cell lung cancer) – Phase 2 clinical trial in progress (advanced hepatocellular carcinoma)	
HLX10+HLX07	– In December 2019, clinical trial for recurrent or metastatic squamous cell carcinoma of the head and neck approved by the NMPA	

Name of product (reference drugs/ targets)	Progress as of the Latest Practicable Date	Other recognitions
HLX10+chemotherapy	– 5 Phase 2/3 clinical trials ongoing (locally advanced/metastatic esophageal squamous cell carcinoma, extensive advanced small cell lung cancer, gastric cancer, locally advanced or metastatic squamous non-small cell lung cancer, advanced cervical cancer).	
HLX07 (improved innovative anti-EGFR mAb)	– Phase 1b/2 clinical trial in progress in Mainland China	
HLX20 (innovative anti- PD-L1 mAb)	– Phase 1 clinical trial in progress in Australia	
HLX12 (ramucirumab)	– In June 2019, Phase 1 clinical study completed first patient dosing in Mainland China	
HLX22 (innovative anti- HER2 mAb)	– In February 2019, IND for gastric and breast cancer indications approved; – In July 2019, Phase 1 clinical study completed first patient dosing	
HLX55 (innovative anti-c-MET mAb)	– In September 2019, IND approved in Taiwan, China – In October 2019, IND approved in Mainland China – In March 2020, Phase 1 clinical study completed first patient dosing in Taiwan, China	
Applications for clinical trials of the pre-clinical research project accelerated		
HLX04 (anti-VEGF mAb)	– In January 2019, IND for indications for wet age-related macular degeneration and diabetic retinopathy approved	
HLX11 (pertuzumab)	– In January 2020, IND approved	
HLX13 (ipilimumab)	– In January 2020, IND accepted	
HLX14 (denosumab)	– In March 2020, IND accepted	

(II) Forward-looking production capacity layout with high cost-efficiency

In order to meet the expected demand for the gradual marketing of candidate drugs in the Group's product pipelines, the Group has formulated a phase-based capacity planning for the product development cycle, gradually improved and enhanced large-scale production capacity based on a sound quality control system, and maintained high quality standards while expanding production capacity and improving cost-efficiency. Meanwhile, the Group has established a quality control system that complies with international quality standards, covering the entire life cycle from project development to material management, product production, quality control, product supply chain management, and product follow-up after marketing, which lays a solid foundation for the commercialisation in multiple jurisdictions and regions.

As of the end of the Reporting Period, the Group has established Xuhui Facility, a biopharmaceutical production facility in Shanghai Caohejing Hi-Technology Park, which has a capacity of 14,000L and covers a total area of approximately 11,000 square metres. Xuhui Facility and its supporting quality control system have passed a number of on-site inspections and/or audits by EU qualified person and international business partners, which can meet the Group's short-term production needs. As of the Latest Practicable Date, the Xuhui Facility of the Group has accepted the GMP on-site inspection and moved forward according to the plan. To further improve the capacity plan, the Group also commenced the construction of the Songjian First Plant during the Reporting Period. The planned production capacity of the Songjiang First Plant was 24,000L including formulation filling line, which was the preparation for the Group's estimated production needs before Songjiang Second Plant was built and put in operation. During the Reporting Period, the Group's Songjiang Second Plant with a total planned area of 200 mu was under construction. The pile foundation engineering operation, as well as the foundation pit enclosure, foundation and basic engineering of the main production building have been completed in the Phase 1 of the construction project. The subsequent phases of construction will be gradually commenced in accordance with the Group's strategies.

(III) Advanced commercialisation strategy and layout

Based on the mission of "to improve patients' lives by timely providing them with quality and affordable protein therapeutics through technical innovation and operational excellence", the Group continues to explore efficient business operation models with the purpose of improving the accessibility and affordability of biopharmaceuticals, implementing a commercialisation strategy of "Focusing on product portfolio, production capacity and commercial operations, to be the biomedical leader in China". To coordinate the gradual commercialisation of the Group's products, the Group has further improved the overall business planning and the formulation of product market strategies to create a professional and efficient international business operation team.

- **Commercial sales planning for 漢利康 (products treating haematological tumours)**：

  As the first domestic biosimilar in the strict sense, HLX01 漢利康 was successfully approved for marketing in 2019, which commenced the development of the domestic biosimilar market. After the launch of 漢利康, Jiangsu Fosun, a subsidiary of Fosun Pharma (controlling shareholder of the Company) is responsible for the domestic commercial sales. Jiangsu Fosun has a professional academic promotion team for key hospitals and a mixed-line sales team for a broad market, in which all members of two teams have passed the technical training and assessment in professional fields, with solid medical knowledge and communication skills. At the same time, the Group will also promote the approval for HLX01 in treating the rheumatoid arthritis indication.

- **Commercial sales planning led by the Group (in the field of oncology treatment)**

  Being committed to providing quality and affordable innovative biopharmaceuticals to patients worldwide, the Group's products under development mainly focus on the field of oncology, and this part of the product is planned to be promoted by the commercialisation team of the Group. As of the Latest Practicable Date, the Group has established a commercial core team for the Chinese market, which consists of about 100 experts with extensive industry experience (the staff mainly come from multinational foreign companies such as Roche, AZ, MSD, Sanofi, Amgen). The Group's commercialisation team comprises five major segments: marketing, channel management, pricing and market access, domestic sales, and strategic planning, with a complete organisational structure and a clear division of responsibilities. It is expected to effectively promote the Group's commercialisation and achieve a stable growth of sales scale.

- **Commercial sales planning for products represented by HLX03 (products treating autoimmune diseases)**

  According to the cooperation agreement signed between the Company and Jiangsu Wanbang, a subsidiary of Fosun Pharma, Jiangsu Wanbang will be responsible for domestic commercial sales after the product launch of HLX03, and it has a large-scale professional rheumatology sales team and a mixed-line sales team for more markets, which are equipped with professional communication skills and medical knowledge as well as the experience in successful comercialisation of 優立通 (Febuxostat Tablets) in the field of rheumatism treatment.

(IV) Results of internationalised layout

Based on the internationalised positioning set at the Group's establishment and the long-term internationalisation strategy, the Group actively implements a comprehensive internationalised R&D and operation strategies, and promotes the smooth development of commercialisation of products in the international market. With the feature of "global linkage, integrated innovation" as the product development concept, the Group possesses R&D laboratories in China Shanghai, China Taipei, and USA California, and the three R&D centres collaborate closely to ensure high-productivity and cost-effective R&D processes to jointly create a diverse and complete technology platform and strong independent R&D capabilities, laying a solid foundation for the Group's internationalisation strategy and entering the international market.

At the same time, the Group is proactively carrying out its global commercialisation layout. Prior to the products to be approved for marketing, it has reached strategic commercialisation cooperation with some of the world's leading pharmaceutical companies in order to rapidly occupy the global market share through the partners' existing capabilities and resources. As of the Latest Practicable Date, the Group has signed commercial cooperation agreements with international pharmaceutical companies such as Accord, Cipla Limited, Biosidus S.A., Jacobson Medical (Hong Kong) Limited, KG Bio, Farma De Colombia in respect of a number of core products of the Company, with many foreign authorisations covering more than 90 countries and regions worldwide. The Group successfully submitted a MAA for HLX02 in the EU with its business partner Accord in June 2019. The HLX02 self-developed by the Group became the first domestic mAb biosimilar whose MAA has been submitted and accepted in the EU; at present, it has compled the EMA GCP inspection, the clinical data was acceptable by the EU for the MAA assessment, and the GMP on-site inspection has been completed and moved forward according to the plan. The Group reached a cooperation agreement with KG Bio in September 2019, and agreed to grant KG Bio exclusive development and commercialisation rights for indications and combination therapies of HLX10 (PD-1) in 10 countries in Southeast Asia, pursuant to which, the Group has the right to receive a prepayment of US$10,000,000, a milestone payment in a total of not more than US$672,000,000, and a fixed royalty of 15% or 18% of annual net sales (depending on the sales of the relevant products), and KG Bio agreed to provide US$10,000,000 in funding to support the two HLX10 (PD-1) combination therapy trials that the Group will launch. In December 2019, the Group also announced that Farma De Colombia has been granted exclusive commercialisation licenses of HLX01 in Colombia, Peru, Ecuador and Venezuela, pursuant to which, the Group has the right to receive a signing payment of US$500,000 and related milestone payments.

(V) Social responsibility, environmental policies and performance

Always adhering to the mission of "to improve patients' lives by timely providing them with quality and affordable protein therapeutics through technical innovation and operational excellence", the Group actively fulfills its responsibilities to stakeholders such as patients, employees, partners, and communities, being committed to serving global patients and providing more affordable biopharmaceuticals. In terms of social public welfare, the Company and Shanghai Fosun Foundation established the Fosun Foundation Henlius Special Public Welfare Fund（上海復星公益基金會復宏漢霖公益專項基金）to give full play to its industrial advantages and focus on public welfare projects in areas such as health education and patient care. At the same time, the Group is committed to the sustainable development of the environment and society. While focusing on the development of the enterprise, the Group regards the realisation of a harmonious win-win situation with the environment and society as a vital part of fulfilling its social responsibilities. During the Reporting Period, the Group continuously improved its environmental management system to reduce the impact of its own operations on the environment, and there were no incidents of punishment by relevant departments for environmental issues.

Further information on the Group's social responsibility, environmental policies and performance will be set out in the social responsibility report that the Company will issue in due course.

WE MAY NOT BE able to ultimately develop and market our core products.

II. OUTLOOK FOR 2020

In 2020, the Group will further expand its biopharmaceutical product portfolio covering oncology, auto-immune diseases and more fields, capitalise the achieved first-entrant advantages to further advance the implementation of the Group's internationalisation strategy, improve the production base construction, expand production capacity and accelerate the commercialisation of more high-quality biological products to benefit more patients worldwide.

(I) Capitalise on first-entrant advantages and accelerate the launch of commercial sales

As one of the leading domestic biopharmaceutical companies, the Group will actively respond to national calls and cooperate with national pharmaceutical reforms to provide patients with high-quality and affordable biopharmaceuticals. Meanwhile, the Group has clearly established a comprehensive and efficient business operation mode in market access, market development and sales with patient-centric, to improve the accessibility and affordability of biopharmaceuticals, and continue to promote the successful commercialisation of more products. Given the low development risk and identified market potential of biosimilars, the Group will accelerate the commercialisation of multiple biosimilar products in the pipeline in 2020. The two products, HLX02 and HLX03, are expected to be approved for launching in 2020 and to become the main driving factor for the Group's short-term revenue growth besides 漢利康.

HLX02 is the core tumour product whose sales promotion will be led by the Group's self-built commercialisation team. In order to successfully conduct the commercialisation of HLX02 in China, the Group has completed the formulation of the project's commercialisation strategy and the establishment of a commercialisation core management team, and will continue to actively expand the commercialisation team according to the product's launching progress, promote the establishment of marketing system and market access capability as planned, and plan to build an efficient team of more than 500 professionals in 2020, aiming to cover a total of more than 2,700 grade A/B hospitals in more than 260 first to third tier cities in the six major sales regions of the Country.

In 2020, the Group will also continue to strengthen the sales landing of 漢利康, capitalise the first-entrant advantages, and work closely with Jiangsu Fosun to focus on the continued growth of 漢利康 in the field of haematological tumours. The Group will cooperate with Jiangsu Wanbang to carry out the sales of HLX03 and make full use of Jiangsu Wanbang's successful commercialization experience in the field of rheumatology treatment product 優立通 (febuxostat tablets) to fully prepare for the future commercialisation of HLX03.

(II) Maintain high-quality standards and efficiently plan production capacity construction and utilisation

The Group will further improve the production system construction in accordance with the product R&D and launching, plan to complete the production base construction and increase production capacity to provide strong guarantees for the successive commercial sales of products, while achieving efficient utilisation of production capacity. The Group's Xuhui Facility has a total existing capacity of 14,000L. The Group plans to further expand capacity to 18,000L and promote the certification approval of EU GMP at the Facility and improve production efficiency through a series of lean management and process optimisation measures to reduce production costs. Meanwhile, the Group plans to promote the development and industrialisation of continuous flow technology in 2020 in order to ensure the production efficiency and quality of large-scale commercial production of future products. The Group also started the construction of the Songjiang First Plant during the Reporting Period to prepare for the estimated capacity demand before the Songjiang Second Plant was put into operation. The Songjiang First Plant plans to build a production capacity of 24,000L including drug preparation filling line. The production workshop is expected to conduct trial production of clinical samples in the first half of 2020. In order to achieve long-term capacity planning, the Group will continue to promote the construction of the Songjiang Second Plant to enhance the overall production capacity of the Group. It is expected to be completed and put into trial production and conduct related verification work in 2021. Upon completion of construction, the Songjiang Second Plant will become the Group's base for R&D, pilot production and production of mAb biopharmaceutical drugs. This will further enhance the Group's R&D capability in core business area, and satisfy the commercialised production demand for biosimilar and bio-innovative drugs of the Group.

(III) Actively promote R&D of innovative drugs based on our extensive pipeline

The Group will fully utilise the globally integrated independent development platform, keep up with the international trend, continue to expand and enrich the product target layout, optimise the development platform of bi-specific antibodies, and create a high-quality and affordable innovative product pipeline. In 2020, the Group will actively carry out and promote the development of innovative drugs based on the existing extensive product pipelines and mature R&D platforms. NDAs for the Group's independently developed core product innovative drug HLX10 (PD-1) and bevacizumab biosimilar drug HLX04 are planned to be submitted to the NMPA at the end of 2020/early 2021. Meanwhile, clinical trials of combined immunotherapy of tumours with HLX10 (PD-1) as the core, for indications such as recurrent or metastatic SCCHN and metastatic colorectal cancer, are also planned to be further developed and advanced in 2020.

While rapidly advancing the progress of clinical trials of candidate drugs in the pipeline, the Group will also continue to effectively and efficiently promote the preclinical R&D process of products under development, and accelerate the deployment of innovative anti-LAG3 mAb HLX26, innovative anti-CD73 mAb HLX23, daratumumab biosimilar HLX15 and other products in the global registration and approval of multiple products, and then carry out clinical research programs. At present, the Group's mAb pipeline has extensively covered tumour-specific targets (such as EGFR, HER2 and c-Met), anti-angiogenesis targets (such as VEGF and VEGFR2) and immunotherapeutic targets (such as PD-1, PD-L1, CTLA-4, LAG3、TIGIT and CD73) and during the development, the Group has accumulated a wealth of research data and practical experience on the target biological pathways and antibody interactions as well as the relationship between antibody structure and pharmacodynamics. Synthesising such data and experience, and relying on the Group's comprehensive bi-specific antibody development platform, newly developed phage library of humanised monoclonal antibody and strong clinical trial advancing capabilities, it is expected to make important breakthroughs in the R&D of bi-specific antibodies containing PD-1, PD-L1, EGFR and HER2 targets in the short term.

The Group will further capitalise on its international resources and advantages, further establish differentiated R&D pipelines to expand and optimise existing product pipelines, and further promote the R&D of the Group's innovative drug.

(IV) Maintain efficient operations and further promote the implementation of internationalisation strategies

In 2020, the Group will continue to maintain the efficient operation of multiple R&D centres around the world and leverage the unique advantages of each centre: the California R&D centre in the United States continues to lead the application of cutting-edge technologies and expand the layout of differentiated targets; the Taipei R&D centre has rapidly promoted the development of animal experiments for innovative products and the development of the Phase 1 of clinical research based on the established animal experiment model. The Shanghai R&D centre has continued to improve the production process, formulation development and other process development to achieve product process optimisation.

In 2020, the Group will also continue to propel the international commercialisation of its products, actively promote the commercial cooperation of products, and the global registration and clinical research of multiple projects. During the Reporting Period, HLX02, independently developed by the Group, became the first domestic mAb whose MAA has been submitted and accepted in the EU. The core products HLX10 (PD-1) and HLX01 (漢利康) also successfully entered the markets of Southeast Asia and South America through business partners. In 2020, the Group will continue to collaborate with Accord, our cooperative partner, in actively proceeding with the commercialisation for HLX02 in the EU. Meanwhile, the Group plans to seek potential strategic cooperation with more international partners through implementing business development strategy for entering the international market through these international strategic partners, in particular for the entry to emerging markets with significant unfulfilled medical needs for affordable pharmaceutical products, to benefit patients overseas.

III. FINANCIAL REVIEW

(I) Revenue

The Group began the commercialisation of HLX01 (漢利康) in China in May 2019. Prior to that, the Group did not commercialise any products and therefore did not generate revenue from the sale of products. The total revenue of the Group for the year ended 31 December 2019 was approximately RMB90.9 million, representing an increase of approximately RMB83.5 million as compared with that for the year ended 31 December 2018, which was mainly from the sales growth of the commercialisation of the Group's core product. According to the cooperation arrangement with Fosun Pharma Industrial Development, Fosun Pharma Industrial Development fully reimbursed the related expenditures incurred for clinical trials of HLX01 (漢利康) conducted by the Group after the signing of relevant cooperation agreement. After the commercialisation of HLX01 (漢利康), the Group was responsible for the production and the supply of HLX01 (漢利康) to Fosun Pharma Industrial Development in China, and shared a portion of the profit with Fosun Pharma Industrial Development from the sales in China pursuant to the contract. During the Reporting Period, primarily through the profit sharing arrangements under the cooperation agreement with Fosun Pharmaceutical Industrial Development, the Group achieved a total sales revenue of HLX01 (漢利康) of RMB79.0 million, and realised licensing income of RMB8.6 million. We intend to further raise public awareness of HLX01 (漢利康) by ramping up our marketing and sales efforts. We also plan to market our drug products through our commercialisation partners under well-established strategies.

On 25 September 2019, the Group entered into a cooperative R&D and commercialisation agreement with KG Bio on HLX10 (the Group's bio-innovative drug with exclusive patents and technical knowledge). During the Reporting Period, the Group recognised the revenue from services of approximately RMB2.6 million.

In addition, the Group recorded revenue through providing consultation and research services. During the Reporting Period, the Group recognised the revenue of approximately RMB0.7 million through providing consultation and research services.

(II) Cost of sales

The Group's cost of sales primarily represents raw materials, production employee compensation, outsourcing expenses, utilities expenses and depreciation and amortisation. For the year ended 31 December 2019, the Group recorded cost of sales of RMB71.8 million, representing an increase of approximately RMB66.4 million as compared with that for the year ended 31 December 2018, which was due to the production cost of HLX01 (漢利康).

(III) Gross profit

For the year ended 31 December 2019, the Group recorded a gross profit of RMB19.1 million, representing an increase of approximately RMB17.1 million as compared with that for the year ended 31 December 2018, or 855.0%, mainly because the Group received the NDA approval for HLX01 (漢利康) in February 2019 and commenced commercial sales in May 2019.

(IV) Other income and gains

Other income and gains of the Group mainly included bank interest income and government grants. Government grants included (1) government support for capital expenditure in relation to the purchase of machinery and equipment (recognised over the useful life of the relevant assets); (2) incentives for R&D activities and interest subsidy as well as other supports (recognised after satisfying certain conditions promulgated by the government).

During the Reporting Period, the Group recognised other income and gains of approximately RMB24.7 million.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest income	**16,062**	5,208
Government grants	**7,448**	15,886
Exchange gains	**–**	8,927
Others	**1,164**	287
Total	**24,674**	30,308

(V) R&D EXPENDITURE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Expensed R&D expenses		
Share-based compensation	**68,333**	55,173
R&D employee salaries	**182,910**	88,201
Outsourcing fees	**62,759**	30,222
Reagents and consumables	**83,266**	62,687
Utilities	**7,308**	12,435
Depreciation and amortisation	**45,637**	34,290
Consulting expense	**16,176**	12,225
Clinical trials	**107,595**	26,654
Others	**33,843**	43,495
Total expensed R&D expenses	**607,827**	365,382
Capitalised R&D expenses		
Clinical trials	**517,194**	399,642
R&D employee salaries	**107,098**	84,192
Reagents and consumables	**30,199**	30,543
Depreciation and amortisation	**31,125**	32,484
Utilities	**4,310**	5,252
Outsourcing fees	**47,427**	6,829
Share-based compensation	**26,517**	20,861
Others	**35,067**	27,298
Total capitalised R&D expenses	**798,937**	607,101

During the year ended 31 December 2019, the Group recognised R&D expenditure of approximately RMB1,406.8 million, representing an increase of approximately RMB434.3 million or approximately 44.66% as compared with approximately RMB972.5 million for the year ended 31 December 2018. The increase in our research and development expenditure was mainly due to (1) the increases in clinical trial expenses and costs of pre-clinical studies in line with our expanding pipeline and significant progress of R&D activities; (2) the increases in the number of R&D employees.

(VI) Administrative expenses

Administrative expenses mainly included administrative staff costs, office administrative expenses, depreciation and amortisation, audit and consultation fees, etc.

During the year ended 31 December 2019, the Group recognised administrative expenses of approximately RMB174.8 million, representing an increase of 60.2% as compared to that of approximately RMB109.1 million for the year ended 31 December 2018. The increase in administrative expenses of the Group was mainly due to (1) the increase in the number of administrative employees in line with the expansion of the Company's operations and development; (2) the increase in office administrative expenses in conjunction with business development; and (3) the increase in other consultation fees (such as relevant listing expenses).

(VII) Selling and distribution expenses

The Group's selling and distribution expenses mainly included salaries as well as promotional activity expenses, etc.

During the year ended 31 December 2019, the Group recognised selling and distribution expenses of approximately RMB45.7 million, which was mainly used for the establishment of business operation team ahead of the formal launching of HLX02 in 2020.

(VIII) Income tax expense

For the year ended 31 December 2019 and 2018, the Group did not incur any income tax expenses as the Group did not generate taxable income during those two years. Income tax expenses are non-deductible income tax expenses for certain subsidiaries.

(IX) Loss for the year

In view of the above, the Group's loss increased by RMB370.7 million from RMB504.8 million for the year ended 31 December 2018 to RMB875.5 million for the year ended 31 December 2019.

(X) Liquidity and capital resources

As of 31 December 2019, the cash and cash equivalents of the Group were RMB2,301.1 million, mainly denominated in Renminbi ("RMB"), United States Dollars ("USD"), New Taiwan Dollars ("NTD") and Euro, where such increase was mainly due to the successful initial public offering on the Stock Exchange. As of 31 December 2019, the current assets of the Group were RMB2,660.7 million, including cash and cash equivalents of RMB2,301.1 million, pledged deposits of RMB3.6 million, inventories of RMB129.9 million and prepayments, deposits and other receivables of RMB196.3 million. As of 31 December 2019, the current liabilities of the Group were RMB959.6 million, including trade and bills payables of RMB240.2 million, other payables and accruals of RMB409.2 million and interest-bearing bank and other borrowings of RMB278.2 million.

As of 31 December 2019, the foreign exchange bank balances of the Group are as follows:

	RMB'000
RMB	**369,582**
Hong Kong Dollars ("HKD")	**988,236**
USD	**941,035**
Euro	**1,531**
NTD	**4,267**

(XI) Inventories

Inventories of the Group increased from approximately RMB25.2 million as of 31 December 2018 to approximately RMB129.9 million as of 31 December 2019, mainly due to the increased purchases of raw materials and consumables in order to facilitate the clinical trial and commercialised production.

(XII) Trade and bills receivables

As of 31 December 2018 and 31 December 2019, trade and bills receivables from customer contracts were RMB6.8 million and RMB29.8 million, respectively. There are no changes in accounting estimates or material assumptions made in both years.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 3 months	**29,830**	1,521
3 to 6 months	**–**	–
6 to 9 months	**–**	–
9 to 12 months	**–**	–
1 to 2 years	**–**	5,300
Total	**29,830**	6,821

(XIII) Interest-bearing bank and other borrowings

As of 31 December 2019, bank and other borrowings (exclusive of lease liabilities) of the Group were RMB431.1 million. The Group incurred new borrowings for the following reasons: ongoing clinical research trials and pre-clinical research for drug candidates, commercialisation of HLX01（漢利康）and normal operating expenses.

Such borrowings bear interest at fixed annual interest rates.

(XIV) Maturity structure of outstanding debts

The following table sets forth the maturity structure of outstanding debts as of 31 December 2019 and 31 December 2018. Of which, lease liabilities were initially recognised upon the adoption of IFRS 16 – Leases on 1 January 2017.

	31 December 2019	31 December 2018
	RMB'000	RMB'000
Within one year	**278,241**	142,678
In the second year	**206,418**	121,434
In the third to fifth year (inclusive)	**96,153**	204,847
Over five years	**28,577**	59,059
Total	**609,389**	528,018

(XV) Collateral and pledged assets

As of 31 December 2019, the Group's pledged assets in relation to borrowings including trade receivables and other receivables of RMB8.1 million and fixed assets (machine equipment and electronic equipment) of RMB117.7 million.

(XVI) KEY FINANCIAL RATIOS

	31 December 2019	31 December 2018
Current ratio[(1)]:	**277.3%**	203.8%
Quick ratio[(2)]:	**263.7%**	199.0%
Gearing ratio[(3)]:	**N/A[(4)]**	N/A[(4)]

Notes:

(1) Current ratio is calculated as current assets divided by current liabilities as of the same day.

(2) Quick ratio is calculated as current assets minus inventories and then divided by current liabilities as of the same day.

(3) Gearing ratio is calculated as net debt divided by equity attributable to owners of the parent plus net debt, multiplied by 100%. Net debt represents the balance of indebtedness less cash and cash equivalents as at the end of the period.

(4) The Group did not have a gearing ratio as at 31 December 2019 and 31 December 2018 as the Group's balance of cash and cash equivalents exceeded the Group's total indebtedness on that date.

(XVII) MATERIAL INVESTMENT

In order to satisfy the expected market demand of drugs in our pipeline, the Group is currently constructing a new manufacturing facility in Shanghai, the Songjiang Second Plant, to significantly increase our overall production capacity. We designed the Songjiang Second Plant to incorporate substantially similar manufacturing equipment, technologies and processes as those being used and to be implemented at our Xuhui Facility. The Group expects the Songjiang Second Plant to support our future global commercial needs when fully operational.

The Company is expected to invest not more than RMB1 billion for the construction of the Phase I project of Songjiang Second Plant (first stage). As at the end of the Reporting Period, the facility is under construction and the subsequent stages of construction will be gradually carried out based on the strategy of the Group. The capital expenditure of the construction of Songjiang Second Plant will be mainly funded through debt financing.

For details of the Songjiang Second Plant, please refer to the section headed "Business Review – Forward-looking Production Capacity Layout with High Cost-efficiency". Save as disclosed in this report, as of 31 December 2019, the Group did not make other significant investments.

(XVIII) Capital commitments and capital expenditures

	31 December 2019 RMB'000	31 December 2018 RMB'000
Plant and machinery	**146,439**	41,980
Construction in progress	**36,143**	1,787
Electronic equipment	**15,990**	13,855
Leasehold improvements	**32,686**	15,270
Others	**–**	509
Total	**231,258**	73,401

We had capital commitments for plant and machinery contracted but not provided for of RMB496.4 million as of 31 December 2019. These capital commitments primarily relate to expenditures expected to be incurred for the purchase of machinery, renovation of our existing laboratories and buildings.

(XIX) Contingent liabilities

As of 31 December 2019, the Group did not have any significant contingent liabilities.

(XX) Material acquisitions and disposals

As of 31 December 2019, the Group did not have material acquisitions and disposals.

(XXI) Dividends

The Company did not pay or declare any dividend during the two years ended 31 December 2019 and 31 December 2018.

IV. RISK MANAGEMENT

(I) Foreign exchange risk

As of 31 December 2019, the Group is principally engaged in business in the PRC, in which most of the transactions are settled in RMB with no significant foreign exchange risk. No financial instrument for hedging foreign exchange risk or other hedging purposes was employed.

(II) Exchange rate risk

Currently, the major business operation of the Group is in the PRC and most of the revenue and expenses are settled in RMB, which is the Group's reporting currency. Following the listing, the Group may also maintain a significant portion of the proceeds from the offering in HKD to put them into operation in the future. Furthermore, with the acceleration of the Group's development in overseas markets, it is expected the sales revenue denominated in USD and Euro will increase in the future. Fluctuations in exchange rates may adversely affect the Group's cash flows, revenues, earnings and financial position.

(III) Potential risks

1. Market risk

The biologics market is highly competitive, and the Group's existing commercialised products and products that may be commercialised in the future face competition from pharmaceutical companies around the world on various factors such as treatment indication, drug novelty, drug quality and reputation, breadth of our drug portfolio, manufacturing and distribution capacity, drug price, coverage and depth of customer, consumer behaviour and supply chain relationships. The Group's ability to remain competitive depends to a large extent on our ability to innovate, develop and market new products and technologies that meet market needs in a timely manner to capture market share.

2. Business and operational risk

The global biologics market is constantly evolving, and the Group invests significant amounts of human and capital resources to develop, enhance or acquire technologies that will allow the Group to enhance the scope and quality of our services. Most of the Group's drug candidates are under development and are in the clinical development stages, and the course of clinical development involves a lengthy and expensive process with uncertainties in various aspects, there can be no assurance from the Group of the development and clinical results. Furthermore, if the clinical development and regulatory approval process of our drug candidates were delayed or terminated, the successful development and commercialisation of the Group's drug candidates in a timely manner maybe adversely affected.

3. Potential risks of novel coronavirus

The epidemic of COVID-19 may have potential impacts on the Group's business, including but not limited to the advancement of clinical trials, approval of regulatory registration, procurement of raw materials, and construction progress of production base. The Group will continue to observe the epidemic situation and make all preparations in advance.

V. EMPLOYEES AND REMUNERATION POLICIES

The following table sets forth the breakdown of our employees by function as at 31 December 2019:

Function	Number of employees
Management and administrative	**135**
R&D	**326**
Quality and technical support	**193**
Manufacturing	**245**
Clinical medical affairs	**220**
Commercial Operation	**53**
Total	**1,172**

The Group enters into individual employment contracts with our employees setting out terms such as salaries, bonuses, grounds for termination and confidentiality. Employment contracts with our R&D personnel also typically contain a non-competition clause. The Group also provides benefits to our employees as part of their compensation package which we believe is in line with industry norm. For example, PRC-based employees are entitled to social insurance as mandated by the PRC Social Insurance Law, including pension, basic medical insurance, maternity insurance, work-related injury insurance, unemployment insurance and housing provident fund. To stay competitive in the market for talents, we have also adopted share award schemes to give incentives to our employees. The Group emphasises on-the-job training as a constant, ongoing objective for the employees. All employees participate in formal training on an annual basis, where the Group focuses on the latest technical developments and updates in regulatory requirements.

REPORT OF THE BOARD OF DIRECTORS

REPORT OF DIRECTORS

The Board is pleased to present its 2019 annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in (i) the R&D, production and sale of monoclonal antibody (mAb) drugs and the provision of related technical services (except for the development and application of human stem cells, genetic diagnosis and therapy technology) and (ii) the transfer of its own technology and provision of the related technology consultation services.

Details of the principal activities of the subsidiaries of the Company are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 are set out in the Consolidated Statement of Profit or Loss on page 67.

The Board does not recommend a final dividend for the Reporting Period.

PROFIT DISTRIBUTION PLAN

The Group has adopted a profit distribution administration policy. According to the policy, the Company may distribute its profit by means of cash, shares or a combination of cash and shares. The Company shall give priority to distribution of cash dividends. With the full distribution of cash dividends and a reasonable company's equity size and equity structure, the company may use the share dividend distribution method for profit distribution in order to maintain the expansion of equity and performance growth. The Board shall comprehensively take account of the features of the industry where the Company operates, its stage of development, its own business model, and profitability and the factors such as whether there is significant capital expenditure arrangement in forming reasonable distribution proposals. The specific plan for distribution shall be decided by the Shareholders at the general meeting according to the Company's actual operation status of the year.

BUSINESS REVIEW

The business review of the Group for the Reporting Period is set out in the sections headed "Chief Executive Officer's Review" on pages 5 to 6 and "Management Discussion and Analysis" on pages 11 to 27, respectively of this annual report. A discussion on the Company's social responsibility, environmental policies and performance is also set out in "Management Discussion and Analysis". All references to other sections or reports in this annual report form part of this Report of the Directors.

ANNUAL GENERAL MEETING ("AGM") AND CLOSURE OF REGISTER OF MEMBERS

The notice of the forthcoming AGM will be published and dispatched to shareholders of the Company in accordance with the requirements of the Listing Rules and the Articles of Association. The Company will announce the period of closure of register of members in the notice of AGM to be issued.

SUMMARY FINANCIAL INFORMATION

A summary of the financial information for the last five financial years, as extracted from the audited financial statements, is set out in the section headed "Five Years' Financial Summary" on page 8 in this annual report.

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2019 are set out in note 25 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company and its subsidiaries during the Reporting Period are set out in note 14 to the financial statements.

CHARGE ON ASSETS

As at 31 December 2019, the total amount of RMB117.7 million in property, plant and equipment was pledged to banks as loan security (31 December 2018: RMB132.8 million).

Details of collateral and pledged assets are set out in the section headed "Collateral and Pledged Assets" on page 24 of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 28 to the financial statements.

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

During the period from the listing Date to 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company did not have any distributable reserves.

Details of the movements in the respective reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 70.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the aggregate amount of purchases attributable to the Group's five largest suppliers were less than 30% of total purchases of the Group. The aggregate amount of revenue attributable to the Group's five largest customers was 98.1% of total revenue of the Group. The aggregate amount of revenue attributable to the Group's largest customer was 82.9% of total revenue of the Group.

During the Reporting Period, to the knowledge of the Directors, other than Jiangsu Fosun and Fosun Pharma Industrial Development (each a wholly-owned subsidiary of Fosun Pharma), none of the Directors, or any of their close associates, or Shareholders of the Company (which, to the knowledge of the Directors, owned more than 5% of the number of issued Shares of the Company) had interests in the five largest suppliers or customers of the Group.

DIRECTORS

The following is the list of Directors during the Reporting Period and as of the Latest Practicable Date (unless otherwise stated):

Executive director

Dr. Scott Shi-Kau Liu *(Chief Executive Officer)*

Non-executive directors

Mr. Qiyu Chen *(Chairman)*
Mr. Yifang Wu
Ms. Xiaohui Guan
Dr. Aimin Hui
Mr. Zihou Yan (*appointed on 19 February 2020*)
Mr. Jiemin Fu (*resigned on 19 February 2020*)

Independent non-executive directors

Mr. Tak Young So *(appointed on 2 September 2019)*
Dr. Lik Yuen Chan *(appointed on 2 September 2019)*
Dr. Guoping Zhao *(appointed on 2 September 2019)*
Dr. Ruilin Song *(appointed on 2 September 2019)*

SUPERVISORS

The following is the list of Supervisors during the Reporting Period and as of the Latest Practicable Date:

Ms. Kun Dai *(Chairman) (appointed on 19 February 2020)*
Mr. Deli Kong
Ms. Jingyi Wang
Mr. Yong Zhou *(Chairman) (resigned on 19 February 2020)*

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 54 to 62 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a letter of appointment with the Company for a term of three years, subject to the provision of retirement and rotation of Directors and Supervisors under the Articles of Association.

None of the Directors and Supervisors has an unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REMUNERATION POLICY

The remuneration policy of the Group is set out in the section headed "Management Discussion and Analysis" on page 27 of this annual report.

Details of the remuneration to Directors, Supervisors and chief executives, senior management and the five highest paid employees are set out in notes 9 and 10 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Related Party Transactions", there is no transaction, arrangement or contract that is significant in relation to the Group's business (to which the Company or any of its subsidiaries was a party) and in which a person who at any time in the Reporting Period was a Director/Supervisor or his or her connected entity had, directly or indirectly, a material interest subsisted at the end of the Reporting Period or at any time during the Reporting Period.

PENSION SCHEME

The full-time employees of the Group are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group must contribute a certain percentage of the employees' salaries (subject to maximum caps) to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred. The Group's pension cost charged to the Statement of profit or loss for the Reporting Period was RMB34.4 million.

MANAGEMENT CONTRACT

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except as disclosed in this annual report, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at the end of the Reporting Period or at any time during the Reporting Period.

DIRECTORS' AND SUPERVISORS' INTEREST IN COMPETING BUSINESS

None of the Directors or Supervisors is interested in any businesses apart from the Group's business which competes with or is likely to compete, either directly or indirectly, with the Group's business.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, none of the Directors/Supervisors and chief executives of the Company has short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO). The interest or long positions of Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) The Company

Name	Nature of interest and capacity	Class	Number of Shares	Approximate percentage in relevant class of Shares	Approximate percentage in total Shares
Scott Shi-Kau Liu	Beneficial owner	H Shares	2,410,695	1.48%	0.44%
	Interest of corporation controlled by you[(1)]	H Shares	58,977,060	36.09%	10.85%

Note:

(1) As of 31 December 2019, Dr. Scott Shi-Kau Liu held approximately 62.96% of the shares in Cayman Henlius. Dr. Scott Shi-Kau Liu was deemed to be interested in the H Shares which Cayman Henlius was interested in under the SFO.

(b) Associated corporation of the Company

Name	Name of Associated Corporation	Number of Shares	Nature of interest	Approximate percentage in relevant class of shares
Scott Shi-Kau Liu	Fosun International	3,000,000 shares	Beneficial owner	0.04%
Qiyu Chen	Fosun International	17,418,000 shares	Beneficial owner	0.20%
	Fosun Pharma	114,075 A shares	Beneficial owner	0.01%
	Fosun Tourism Group	1,478 shares	Beneficial owner	0.00%
Yifang Wu	Fosun Pharma	342,000 H shares	Beneficial owner	0.06%
	Fosun Pharma	718,900 A shares	Beneficial owner	0.04%
Xiaohui Guan	Fosun Pharma	181,000 A shares	Beneficial owner	0.01%
Jiemin Fu	Fosun Pharma	196,000 A shares	Beneficial owner	0.01%
Deli Kong	Fosun Pharma	8,500 A shares	Beneficial owner	0.00%

Save as disclosed in the foregoing, as at the date of this annual report, none of the Directors, Supervisors or chief executive of the Company or their respective close associates had any interests or short/long positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

During the Reporting Period, no rights to acquire benefits by means of the acquisition of shares, underlying shares or debentures of the Company were granted to any Directors, Supervisors or chief executive or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement which enabled the Directors, Supervisors or chief executive to acquire such rights in any other corporation.

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

As at 31 December 2019, so far as is known to the Directors, the persons or entities, other than the Directors, Supervisors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of Shareholder	Nature of interest and capacity	Class	Number of Shares	Approximate percentage in relevant class of Shares	Approximate percentage in total Shares
Fosun New Medicine	Beneficial owner	Domestic Shares	265,971,569	73.03%	48.94%
Fosun Pharma Industrial Development[1]	Beneficial owner	Domestic Shares	23,873,818	6.56%	4.39%
	Interest of corporation controlled by you	Domestic Shares	265,971,569	73.03%	48.94%
Fosun Pharma[2]	Interest of corporation controlled by you	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	3,192,339	1.95%	0.59%
Fosun High Tech[3]	Interest of corporation controlled by you	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	3,192,339	1.95%	0.59%
Fosun International[4]	Interest of corporation controlled by you	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	3,192,339	1.95%	0.59%
FHL[5]	Interest of corporation controlled by you	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	3,192,339	1.95%	0.59%
FIHL[6]	Interest of corporation controlled by you	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	3,192,339	1.95%	0.59%
Guangchang Guo[7]	Interest of corporation controlled by you	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	3,192,339	1.95%	0.59%
Al-Rayyan Holding LLC	Beneficial owner	H Shares	14,213,700	8.70%	2.62%
Qatar Holding LLC[8]	Interest of corporation controlled by you	H Shares	14,213,700	8.70%	2.62%
Cayman Henlius[9]	Beneficial owner	H Shares	58,977,060	36.09%	10.85%
Wei-Dong Jiang	Beneficial owner	H Shares	686,455	0.42%	0.13%
	Interest of corporation controlled by you[10]	H Shares	58,977,060	36.09%	10.85%

Notes:

(1) As at 31 December 2019, Fosun New Medicine was wholly-owned by Fosun Pharma Industrial Development. Fosun Pharma Industrial Development was deemed to be interested in the Domestic Shares which Fosun New Medicine was interested in.

(2) On 24 December 2019, Cayman Henlius has pledged a total of 3,192,339 H shares to Fosun Industrial Co., Limited, therefore Fosun Industrial Co., Limited has security interest in these H shares. As of 31 December 2019, Fosun Pharma Industrial Development and Fosun Industrial Co., Limited were wholly-owned by Fosun Pharma. Fosun Pharma was deemed to be interested in the Domestic Shares and H Shares which Fosun Pharma Industrial Development and Fosun Industrial Co., Limited were interested in.

(3) As at 31 December 2019, Fosun High Tech held approximately 38.10% of the shares in Fosun Pharma. Fosun High Tech was deemed to be interested in the Domestic Shares and H Shares which Fosun Pharma was interested in.

(4) As at 31 December 2019, Fosun High Tech was wholly-owned by Fosun International. Fosun International was deemed to be interested in the Domestic Shares and H Shares which Fosun High Tech was interested in.

(5) As at 31 December 2019, FHL directly held approximately 70.80% of the shares in Fosun International. FHL was deemed to be interested in the Domestic Shares and H Shares which Fosun International was interested in.

(6) As at 31 December 2019, FHL was wholly-owned by FIHL. FIHL was deemed to be interested in the Domestic Shares and H Shares which FHL was interested in.

(7) As at 31 December 2019, Mr. Guangchang Guo held approximately 85.29% of the shares in FIHL. Mr. Guangchang Guo was deemed to be interested in the Domestic Shares and H Shares which FIHL was interested in.

(8) As at 31 December 2019, Al-Rayyan Holding LLC was wholly-owned by Qatar Holding LLC. Qatar Holding LLC was deemed to be interested in the H Shares which Al-Rayyan Holding LLC was interested in.

(9) As at 31 December 2019, Cayman Henlius was held by Dr. Scott Shi-Kau Liu and Dr. Wei-Dong Jiang as to approximately 62.96% and 37.04% of the total equity interests, respectively. On 24 December 2019, Cayman Henlius has pledged a total of 3,192,339 H shares to Fosun Industrial Co., Limited, a wholly-owned subsidiary of Fosun Pharma, while Cayman Henlius continues to be the beneficial owner of such shares.

(10) As at 31 December 2019, Dr. Wei-Dong Jiang held approximately 37.04% of the shares in Cayman Henlius. Dr. Wei-Dong Jiang was deemed to be interested in the H Shares which Cayman Henlius was interested in.

Save as disclosed herein, there is no other person known to the Directors, Supervisors or chief executive of the Company who, as of 31 December 2019, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 under Part XV of the SFO or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

PERMITTED INDEMNITY

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director and Supervisor shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the Directors and Supervisors of the Company.

SHARE OPTION SCHEME

During the Reporting Period, the Company did not have any share option scheme.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group during the Reporting Period or subsisted at the end of the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors of the Company, during the Reporting Period, the Company has maintained sufficient public float as required by the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in the Articles of Association or under the applicable laws of PRC where the Company is incorporated.

DONATIONS

During the Reporting Period, the Group made donations of RMB4.3 million.

CONTINUING CONNECTED TRANSACTIONS

Collaboration arrangements under the HLX01 agreement and the HLX03 agreement

The Company has entered into an agreement with Fosun Pharma Industrial Development, a subsidiary of Fosun Pharma, with respect to HLX01 (漢利康) on 18 September 2015 (as amended) (the "**HLX01 Agreement**"). Pursuant to the terms of the HLX01 Agreement, the Company has agreed to (i) be responsible for the R&D, regulatory submission, clinical trials as well as the manufacturing and supply of HLX01 in the PRC and (ii) grant an exclusive right to Fosun Pharma Industrial Development to promote and commercialise HLX01 (漢利康) in the PRC. The Company and Fosun Pharma Industrial Development have also agreed to share the net profit (as defined in the HLX01 Agreement) derived from the sales of HLX01 (漢利康) in the PRC. The HLX01 Agreement became effective on the date of signing, and will continue until terminated in accordance with its terms. The HLX01 Agreement may be terminated if (i) any party materially breaches the terms of the HLX01 Agreement and such breach cannot be cured within 90 days by the breaching party upon receiving notice from the non-breaching party, or (ii) any party is under liquidation, whether voluntary or otherwise, or enters into any agreements with its creditors which may be detrimental to the performance of the obligations under the HLX01 Agreement. In addition, if there is a change of control of Fosun Pharma Industrial Development, Fosun Pharma Industrial Development and the Company should negotiate in good faith for continuing to carry out the cooperation arrangement under the HLX01 Agreement, failing which, the Company may terminate the HLX01 Agreement. Accordingly, the term of the HLX01 Agreement will continue until it is terminated in accordance with its terms.

On 18 September 2017, the Company entered into an agreement (the "**HLX03 Agreement**") with Jiangsu Wanbang, a wholly owned subsidiary of Fosun Pharma, to commercialise HLX03. The HLX03 Agreement contains similar terms as those of the HLX01 Agreement.

(i) The supply of products; and (ii) the sharing of the net profits derived from the sales of the relevant products by the Company to Fosun Pharma and/or its associates are regarded as continuing connected transactions of the Company. During the Reporting Period, the actually received amount of the Group for the supply of products and sharing of net profit from sales of related products were RMB76.3 million.

Review by and confirmation of independent non-executive directors of the company

The independent non-executive Directors have reviewed the above continuing connected transactions, and confirmed that such transactions were:

(i) carried out in the ordinary and usual course of business of the Group;

(ii) made on normal commercial terms or better (as defined in the Listing Rules); and

(iii) carried out according to the terms in the relevant transaction agreements, which are fair and reasonable, and in the interests of the Shareholders as a whole.

Confirmation of the auditors

As to the requirement set forth in Rule 14A.56 of the Listing Rules, the auditor of the Company has written to the Board to confirm that it has not been aware of any matter which leads it to believe the aforesaid continued connected transactions:

(a) nothing has come to its attention that causes it to believe that the disclosed continuing connected transactions have not been approved by the Board;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to its attention that causes it to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to its attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and

(d) nothing has come to its attention that causes it to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

Framework property leasing agreement

On 31 December 2019, the Company entered into a framework property leasing agreement (the "**Framework Property Leasing Agreement**") with Shanghai Clone High Technology Co., Ltd.* (上海克隆生物高技術有限公司) (the "**Clone High Tech**"), a wholly-owned subsidiary of Fosun Pharma, pursuant to which the Group has agreed to lease premises from Clone High Tech for its use as manufacturing facilities, laboratories and/or office buildings from time to time, for a period of three years commencing from 1 January 2020 and ending on 31 December 2022.

Clone High Tech is a wholly-owned subsidiary of Fosun Pharma, the controlling shareholder of the Company. Therefore, Clone High Tech is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, under Chapter 14A of the Listing Rules, the entering into of the Framework Property Leasing Agreement constitutes continuing connected transaction of the Company.

The annual caps for the leases to be entered into by the Group under the Framework Property Leasing Agreement, which are based on the total value of the right-of-use assets relating to such leases, for the three years ending 31 December 2020, 2021 and 2022 are expected not to exceed RMB146.2 million, RMB15.6 million and RMB17.5 million, respectively.

ONE-OFF CONNECTED TRANSACTIONS

Property leasing agreements

As disclosed in the Prospectus, the Company entered into property lease agreements with the Fosun Pharma and/or its associates, pursuant to which, the Group has leased properties from the Fosun Pharma group for its use as manufacturing facility and office building. The property lease agreements were entered into (i) in the ordinary and usual course of business of the Group, (ii) on arm's length basis, and (iii) on normal commercial terms with the rents being agreed with reference to the prevailing markets rates.

In accordance with IFRS 16 "Leases" (which became effective from 1 January 2019), the Company recognised a right-of-use asset on its balance sheet in connection with the lease of the properties from the Fosun Pharma and/or its associates. Therefore, the entering into of the property lease agreements by the Company will be regarded as an acquisition of a capital asset and a one-off connected transaction of the Company for the purposes of the Listing Rules.

The total value of the right-of-use assets relating to the leases entered into by the Group with Fosun Pharma and/or its associates in relation to the leasing of property for the Reporting Period amounted to approximately RMB4.3 million.

Reimbursement arrangements under the HLX01 agreement and the HLX03 agreement

Pursuant to the HLX01 Agreement and the HLX03 Agreement, the Group will obtain full reimbursement for clinical trial expenses actually incurred by Fosun Pharma Industrial Development and Jiangsu Wanbang, respectively. The reimbursement arrangements are regarded as one-off connected transactions entered into by the Company prior to the listing. During the Reporting Period, the Group's total clinical trial expenses reimbursed was RMB107.6 million.

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the Reporting Period are disclosed in note 35 to the financial statements.

Apart from the connected transactions and continuing connected transactions as disclosed in this annual report, none of the related party transactions constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, which are subject to announcement or independent shareholders' approval requirements.

NON-COMPETITION UNDERTAKING

Fosun Pharma has provided a non-compete undertaking to the Company in connection with the Listing (the "**Non-compete Undertaking**") to ensure there remains a clear delineation of their respective businesses in the future.

The Non-compete Undertaking commenced on the listing date and will end on the earlier of (i) the date on which Fosun Pharma or its subsidiaries (other than the Group) cease to be controlling shareholders (as defined under the Listing Rules) of the Company and (ii) the date on which the Shares cease to be listed on the Stock Exchange.

The independent non-executive Directors have performed an annual review and confirmed that they are not aware of any circumstances which indicate that Fosun Pharma is not in compliance with Non-compete Undertaking.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, at no time during the Reporting Period had the Company or any of its subsidiaries entered into any contract of significance with the controlling shareholders or any of their subsidiaries, nor had any contract of significance been entered into for the services provided by the controlling shareholders or any of their subsidiaries to the Company or any of its subsidiaries.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 25 September 2019, the Company issued 64,695,400 H Shares at HK$49.6 per H Share in connection with the global offering and listing of the H Shares on the Hong Kong Stock Exchange. The total gross proceeds amounted to approximately HK$3,209 million by way of initial public offering of the Company on the Stock Exchange.

On 22 October 2019, the over-allotment option granted in connection with the Global Offering was partially exercised and the Company issued an aggregate of 4,366,400 H Shares at HK$49.6 per H Share. The total gross proceeds amounted to approximately HK$216.6 million.

After deduction of listing expenses, the total net proceeds from the Global Offering (including the net proceeds from the partial exercise of the over-allotment option) was approximately HK$3,147 million. As at the date of this annual report, the proceeds have been used and will continue to be used in accordance with those set out in the Prospectus as follows:

- Approximately HK$1,341.7 million (or 40.0% of the net proceeds) would be used to fund the ongoing clinical trials, regulatory filing and registration in relation to our core products.
    - Approximately HK$201.2 million (or 6.0% of the net proceeds) would be used to fund the ongoing clinical trials, regulatory filing and registration for HLX02;
    - Approximately HK$268.3 million (or 8.0% of the net proceeds) would be used to fund the ongoing clinical trials, regulatory filing and registration for HLX04 for the mCRC indication; and
    - Approximately HK$872.1 million (or 26.0% of the net proceeds) would be used for the development of immuno-oncology combination therapy comprised of HLX04 and HLX10 for the treatment of advanced solid tumours.
- Approximately HK$503.1 million (or 15.0% of the net proceeds) would be used to fund the ongoing clinical trials, regulatory filing and registration for our biosimilar candidates, including HLX12, HLX11 and HLX14.
- Approximately HK$1,174.0 million (or 35.0% of the net proceeds) would be used to fund the ongoing clinical trials, regulatory filing and registration for our bio-innovative drugs and the development of immuno-oncology combination therapy. Of this amount:
    - Approximately HK$6.7 million (or 0.2% of the net proceeds) would be allocated to HLX06;
    - Approximately HK$144.2 million (or 4.3% of the net proceeds) would be allocated to HLX07;
    - Approximately HK$6.7 million (or 0.2% of the net proceeds) would be allocated to HLX20; and
    - Approximately HK$1,016.3 million (or 30.3% of the net proceeds) would be allocated to HLX10 and immuno-oncology combination therapies involving HLX10 (including HLX10+HLX07).
- Approximately HK$335.4 million (or 10.0% of the net proceeds) would be allocated towards working capital and general corporate purposes.

As at 31 December 2019, approximately RMB827.1 million of the net proceeds of the Global Offering had been utilised as follows:

- Approximately HK$262.3 million had been used to fund the ongoing clinical trials, regulatory filing and registration in relation to our core products.
    - Approximately HK$135.7 million had been used to fund the ongoing clinical trials, regulatory filing and registration for HLX02;
    - Approximately HK$98.1 million had been used to fund the ongoing clinical trials, regulatory filing and registration for HLX04 for the mCRC indication; and
    - Approximately HK$28.6 million had been used for the development of immuno-oncology combination therapy comprised of HLX04 and HLX10 for the treatment of advanced solid tumours.
- Approximately HK$158.7 million had been used to fund the ongoing clinical trials, regulatory filing and registration for our biosimilar candidates, including HLX12, HLX11 and HLX14.
- Approximately HK$320.9 million had been used to fund the ongoing clinical trials, regulatory filing and registration for our bio-innovative drugs and the development of immuno-oncology combination therapy. Of this amount:
    - Approximately HK$26.9 million had been allocated to HLX07;
    - Approximately HK$0.8 million had been allocated to HLX20; and
    - Approximately HK$293.2 million had been allocated to HLX10 and immuno-oncology combination therapies involving HLX10 (including HLX10+HLX07).
- Approximately HK$85.2 million had been allocated towards working capital and general corporate purposes.

Other than fund raising activity as set out above, the Company has not conducted any other fund raising activates involving the issue of equity securities within 12 months immediately prior to the Latest Practicable Date.

SUBSEQUENT EVENTS

On 30 March 2020, the Company has announced the proposal to make an application to the relevant regulatory authorities in the PRC for the allotment and issue of A Shares and an application to the Shanghai Stock Exchange for the listing of, and permission to deal in, the A Shares on the Science and Technology Innovation Board of Shanghai Stock Exchange. Please refer to the Company's announcement dated 30 March 2020 for details.

Save for those disclosed in this annual report, no major subsequent events have occured since the end of the Reporting Period and as of the Latest Practicable Date.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. During the Reporting Period, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

SIGNIFICANT LEGAL PROCEEDINGS

During the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that employees, customers and business partners are keys to its corporate sustainability. The Group has been striving to achieve corporate sustainability through engaging employees, providing quality services for customers, collaborating with business partners and supporting our community.

The Group places significant emphasis on human resources. The Group provides a fair workplace, promoting non-discrimination and diversity to its staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance. The Group provides regular trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organisations.

To enhance customer satisfaction and promote a customer- oriented culture within the Group, the Group takes "Customer First" as one of its core values. It values customer opinion and the feedback obtained from customers through daily communication, regular meeting and etc. and has established the mechanism about customer service, support and complaints. When dealing with a customer complaint, the Group treats it as an opportunity to improve its relationship with the customer, addressing the concern in a timely manner and in accordance with international standards.

The Group believes that the roles of suppliers are equally important in selecting quality products. Through proactive collaborates with its business partners (including suppliers and contractors), it provides quality sustainable products and services.

AUDITORS

The financial statements of the Group have been audited by Ernst & Young.

A resolution to re-appoint Ernst & Young as the auditors of the Company and to authorize the Directors to fix its remuneration will be proposed at the forthcoming AGM.

On Behalf of the Board
Qiyu Chen
Chairman
Hong Kong, 23 March 2020

REPORT OF THE BOARD OF SUPERVISORS

During the reporting period, in accordance with the Company Law, Listing Rules and other relevant laws, regulations and Articles of Association, Rules of Procedures of the Board of Supervisors and relevant regulations, all members of the Board of Supervisors performed their supervisory functions, carefully and objectively discussed the issues related to the finance and operation of the Company, and earnestly supervised the legality and compliance of Directors' and senior management's performance. They have fully developed the supervisory role, and played an active role in ensuring the implementation of resolutions on general meetings of the Company, and safeguarding the legitimate rights and interests of the Company and shareholders as a whole.

THE DAILY OPERATION OF THE BOARD OF SUPERVISORS

During the reporting period, the first session of the Board of Supervisors of the Company held a total of 2 meetings, the second session of the Board of Supervisors of the Company held a total of 4 meetings, which reviewed the financial situation and other annual events for the year 2018 of the Group; the election of the Board of Supervisors; the financial position for the interim 2019 and the third quarter of 2019 and the nomination of the candidates for shareholder representative supervisors, etc..

OPINIONS ON THE BOARD OF SUPERVISORS ON THE RELATED MATTERS OF THE COMPANY IN 2019

1. Compliance with laws in operations

   The Board of Supervisors considers that, the Company can operate in strict accordance with the requirements of the Company Law, the Articles of Association and other relevant requirements. The Company's decision-making procedures are legal and effective, and a relatively complete internal control system is in place. The Directors and senior management of the Company, while performing their functions, and no violations of laws, regulations, Articles of Association or any detriment to the interests of the Company were found.

2. Financial Position

   The Board of Supervisors considers that, the Company's financial system is sound with standardised financial operations, various expenses are reasonable, and the preparation and review procedures of the Company's financial reports are in compliance with the Company Law and the Articles of Association and other relevant provisions, and the financial report can authentically reflect the Group's operating conditions and financial position, with no significant omissions or false statements.

3. Internal Control

   The Board of Supervisors considers that, the Company has established a relatively complete internal control system, which is in compliance with relevant requirements such as the Company Law and the Articles of Association, and has played a better role in risk prevention and control in all aspects of the Company's daily operations and management.

4. Connected Transactions

   The Board of Supervisors considers that, during the reporting period, the Company's connected transactions were carried out in accordance with the principles of openness and fairness, and the transaction procedures were legal and compliant, without any detriment to the rights and interests of the Company and shareholders.

On Behalf of the Board of Supervisors
Kun Dai
Chairman
Hong Kong, 23 March 2020

CORPORATE GOVERNANCE REPORT

The H shares of the Company were listed on the Main Board of the Stock Exchange on 25 September 2019. The Board of the Company hereby presents to the Shareholders the corporate governance report for the period from the Listing Date to 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code.

The Company has also in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

In the opinion of the Directors, the Company has complied with all the applicable principles and code provisions of the CG Code since the Listing Date.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding the securities transactions of directors, supervisors and relevant employees who are likely to be in possession of inside information of the Company.

Specific enquiry has been made of all the Directors and Supervisors and the Directors and Supervisors have confirmed that they have complied with the Model Code since the Listing Date.

No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board shall regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board composition

The Board of the Company currently comprises the following Directors:

Executive director

Dr. Scott Shi-Kau Liu *(Chief Executive Officer)*

Non-executive directors

Mr. Qiyu Chen *(Chairman)*
Mr. Yifang Wu
Ms. Xiaohui Guan
Dr. Aimin Hui
Mr. Zihou Yan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tak Young So
Dr. Lik Yuen Chan
Dr. Guoping Zhao
Dr. Ruilin Song

On 19 February 2020, Mr. Jiemin Fu resigned as a non-executive Director while Mr. Zihou Yan was appointed as a non-executive Director respectively.

The biographical information of the Directors is set out in the section headed "Biographical Details of Directors and Senior Management" on pages 54 to 62 of this annual report.

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

CHAIRMAN, CHIEF EXECUTIVE OFFICER AND PRESIDENT

The positions of Chairman of the Board and Chief Executive Officer are held by Mr. Qiyu Chen and Dr. Scott Shi-Kau Liu respectively. The Chairman of the Board leads and is responsible for the effective functioning of the Board of the Company. The terms of reference of the Chief Executive Officer and the President are set out in the Articles of Association. The Chief Executive Officer is responsible for organizing the formulation and implementation of the Company's strategic plan, annual investment plan, and implementing board resolutions; the President is responsible for presiding over the Company's production and operation management, organizing and implementing the Company's annual business plan and investment plan, drawing up the setting plan of the Company's internal management organization, basic management systems and regulations.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

APPOINTMENT, REMOVAL AND RE-ELECTION OF DIRECTORS

Directors shall be elected at the general meeting and a director's term of office shall be three years. The term of office of a Director may be renewed upon re-election when it expires. The chairman of the Board shall be elected and removed by a majority of all directors, and term of office thereof shall be three years, and may be renewed upon re-election when it expires.

The Articles of Association provides that subject to the relevant regulations and regulatory rules of the place where the shares of the Company are listed, if the Board appoints a new director to fill up the temporary vacancy of the Board or add the number of directors, the term of office of the director so appointed shall end only upon the next annual general meeting of the Company, and the said director shall be qualified for re-election and renewal.

Under the Articles of Association, in case a Director has failed to be present in person twice consecutively without any due causes, nor authorized another director to be present at the board meeting on his behalf, he shall be considered unable to fulfill his duties as a director, and the Board may suggest the general meeting making replacement.

In accordance with the Articles 102 of the Articles of Association, all existing Directors will continue in office until their term of office expiring on 7 August 2022.

Responsibilities, accountabilities and contributions of the Board and management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous professional development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the year ended 31 December 2019 (including the period when the Company was not listed on the Stock Exchange) and up to the date of this report, the Company organized training sessions conducted by the lawyer for its Directors. Such training sessions cover a wide range of relevant topics including directors' duties and responsibilities/corporate governance etc. In addition, relevant reading materials including directors' manual/legal and regulatory update/seminar handouts have been provided to the directors for their reference and studying.

The Company understands that Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The records of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors throughout 2019 (including the relevant period when the Company was not listed) and up to the date of this report are summarized as follows:

Name of Directors	Type of Training [Note]
Executive Director	
Dr. Scott Shi-Kau Liu	A&B
Non-executive Directors	
Mr. Qiyu Chen	A&B
Mr. Yifang Wu	A&B
Ms. Xiaohui Guan	A&B
Dr. Aimin Hui	A&B
Mr. Jiemin Fu[(1)]	A&B
Mr. Zihou Yan[(2)]	A&B
Independent Non-executive Directors	
Mr. Tak Young So	A&B
Dr. Lik Yuen Chan	A&B
Dr. Guoping Zhao	A&B
Dr. Ruilin Song	A&B

(1) Mr. Jiemin Fu resigned as a non-executive Director on 19 February 2020.

(2) Mr. Zihou Yan was appointed as a non-executive Director on 19 February 2020.

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEE

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Strategy Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit committee

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee normally meets at least twice a year for reviewing the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and arrangements for employees to raise concerns about possible improprieties.

As the time of listing of the Company's shares is relatively short, during the period from the Listing Date to 31 December 2019, the Audit Committee held one meeting. The Audit Committee has not held a meeting with the external auditors.

Remuneration committee

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee normally meets at least once to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the executive Directors and senior management and other related matters. As the time of the listing of the Company's shares is relatively short, there was one meeting held by the Remuneration Committee during the period from the Listing Date to 31 December 2019 to review the remuneration of the non-executive Directors.

Details of the remuneration of the Directors and senior management are set out in note 9 to the financial statements for the year ended 31 December 2019.

Nomination committee

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy.

In evaluating and nominating suitable candidates for directorships, the Nomination Committee would consider the following criteria of the candidate before making recommendation to the Board:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and the experience related to the Company's business and strategy, and diversity factors as referred in the Board Diversity Policy that are relevant to the Company's business and strategy;
- any measurable objectives adopted for achieving diversity on the Board;

- the Board shall include the rules of independent non-executive Directors in accordance with the Listing Rules and whether the candidate would be considered independent by reference to the independence guidelines set out in the Listing Rules;
- any potential contributions the candidate can make to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- the willingness and ability to devote adequate time to discharge duties as a member of the Board and Board committee(s); and
- other factors that are appropriate to the Company's business and succession plan, and relevant factors that can be revised by the Nomination Committee and/or the Board when necessary.

The Nomination Committee normally meets at least once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider and recommend to the Board on the appointment of Directors and supervisors, if any. As the time of the listing of the Company's shares is relatively short, there was one meeting held by the Nomination Committee during the period from the Listing Date to 31 December 2019 to nominate the candidate of non-executive Director.

Strategy committee

The main duty of the Strategy Committee is to conduct research on the Company's long-term development strategy and significant investment decisions and make recommendations to the Board of the Company, including:

- studying and making recommendations on the Company's long-term strategic development plan;
- tackling other matters related to strategic investment as required by the laws, regulations, regulatory documents, Listing Rules, Articles of Association and other internal management systems of the Company or authorized by the Board.
- studying and making recommendations on other significant events that affect the Company's development;
- inspecting the implementation of the above matters approved by the Board or the general meeting; and
- studying and making recommendations on significant investments, financing, significant capital operations, and asset operating projects which should be approved by the Board or the general meeting that regulated by the Articles of Association or other internal management systems of the Company;

As the time of the listing of the Company's shares is relatively short, there was no meeting held by the Strategy Committee during the period from the Listing Date to 31 December 2019.

Board diversity policy

The Company has adopted Diversity Policy of the Board, which sets out the approaches to achieve the diversity of the Board. The Company recognizes that the Board shall possess the skills, experience and principles of diverse opinions and perspectives which are properly required by the Company's business.

Pursuant to the Diversity Policy of the Board, in order to achieve diverse opinions and perspectives of the members of the Board, the Nomination Committee will consider various aspects of diverse factors according to this policy, including gender, age, cultural and educational background, race, place of residence, expertise, skills, knowledge, service period, regulatory requirements and legal rights when appointing and reappointing the members of the Board. All the above factors are considered to be related to the Company's business. The reasons are as follows:

– With the diverse operating environment of the Company's business, in order to in the best interests of shareholders, due consideration shall be given to the interests of employees, customers, suppliers and other business counterparties, governments and other institutions that have an influence on the Company and public shareholders. The composition of the Board based on the gender, age, cultural and educational background and race of the members is beneficial to properly balance the interests of all parties.

– Expertise, skills, knowledge, and service period are important factors that determine whether the Board can make a wise decision.

All members of the Board are appointed based on the strengths of the candidates, taking into account their skills, knowledge and experience as a whole as required by the Board and the above diverse opinions and perspectives of the Board.

The Board will review this policy from time to time to ensure its effectiveness.

Corporate governance functions

The Board is responsible for performing the functions as set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

ATTENDANCE RECORDS OF DIRECTORS

Since the Company's H shares were only listed on 25 September 2019, the Company only held four Board meetings, one Audit Committee meeting, one Remuneration Committee meeting and one Nomination Committee meeting during the period from the Listing Date to 31 December 2019.

The attendance record of each Director at the Board and Board committee meetings and the annual general meeting of the Company during the period from the Listing Date to 31 December 2019 is set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee	Annual General Meeting
Dr. Scott Shi-Kau Liu	4/4				0/0	0/0
Mr. Qiyu Chen	4/4			1/1	0/0	0/0
Mr. Yifang Wu	4/4		1/1		0/0	0/0
Ms. Xiaohui Guan	4/4	1/1				0/0
Dr. Aimin Hui	4/4				0/0	0/0
Mr. Jiemin Fu[(1)]	4/4				0/0	0/0
Mr. Tak Young So	4/4	1/1			0/0	0/0
Dr. Lik Yuen Chan	4/4	1/1	1/1			0/0
Dr. Guoping Zhao	4/4			1/1		0/0
Dr. Ruilin Song	4/4		1/1	1/1	0/0	0/0

Note:

(1) Mr. Jiemin Fu resigned as a non-executive Director on 19 February 2020.

The Company will schedule at least four regular Board meetings each year and such number of Board committee meetings as required under the respective terms of reference to carry out the functions of the Board Committees. Meeting will also be arranged between the chairman and the independent non-executive Directors without the presence of other Directors. As the time of listing of the Company's shares is relatively short, during the period from the Listing Date to 31 December 2019, chairman and independent non-executive Directors have not held any meeting yet.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

– the Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

– the Company has established a full-time internal control agency and internal audit department. The internal control agency implements supervision and management in the course of business operation. The internal audit department uses the internal auditing technology of the Company to conduct post-mortem supervision and audit of the Company's daily business to ensure that the Company's business operations continue to meet the Company's system requirements and external regulatory requirements.

– the Company has established risk management and internal control systems, enabling the Company to maintain the highest standard of corporate governance and identify and reduce any potential risks.

– the Company has developed adequate and effective risk management procedures and internal control systems based on the corporate governance manual, which are implemented through the Company's daily business and office functions, such as research and development, production, sales, procurement, engineering, human resources, information technology, financial reporting and management.

– the Company has formulated a number of policies to ensure that the Company complies with the Listing Rules, including but not limited to corporate governance, connected transactions, notifiable transactions, inside information and directors' securities transactions.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

The management, in coordination with department heads, assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2019.

The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2019, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 63 to 66.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2019 amounted to RMB3,550,000 and RMB1,000,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2019 is set out below:

Service Category	Fees Paid/Payable (RMB)
Audit Services	
– Initial public offering	**1,800,000**
– Annual audit services	**1,750,000**
Non-audit Services	
– Internal supervision services	**500,000**
– Others	**500,000**
	4,550,000

JOINT COMPANY SECRETARIES

Mr. Xinjun Guo, the senior vice president and secretary to the Board, and Ms. Ching Ching Leung of Tricor Services Limited, an external service provider, are the joint company secretaries of the Company. The primary contact person of Ms. Ching Ching Leung is Mr. Xinjun Guo.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an extraordinary general meeting

Pursuant to Article 62 of the Articles of Association, if Shareholders request the convening of an extraordinary general meeting or class meeting of shareholders, the following procedures shall be followed:

(i) The Shareholders holding, individually or in the aggregate, more than 10% of the voting shares of the Company may sign one or more copies of written requests in the same form requesting the Board to convene an extraordinary general meeting or class meeting of shareholders, and stating the matters to be considered at the meeting. The Board shall within ten days of receipt of the said written request give the written feedback opinion on approval or disapproval for convening an extraordinary general meeting or class meeting of shareholders. If the Board approves convening an extraordinary general meeting or class meeting of shareholders, it will within five days of adopting the resolution of the Board issue the notice of convening the meeting, and any changes in the original request in the notice shall be subject to the consent of relevant Shareholders. The aforesaid number of shares held shall be calculated as of the date when the Shareholders make the written request.

(ii) If the Board fails to issue the notice of such a meeting within thirty days of receipt of the written request, the requesting Shareholders may themselves convene such a meeting in a manner as similar as possible to the manner in which general meeting are convened by the Board within four months of receipt of the request by the Board.

Where the Shareholders convene and preside over a meeting by themselves as the Board fails to convene the meeting pursuant to the aforesaid request, the reasonable expenses incurred therefrom shall be borne by the Company and deducted from the amounts due from the Company to the defaulting Directors.

Putting forward proposals at general meetings

Pursuant to Article 68 of the Articles of Association, Shareholders individually or in aggregate holding more than 3% of shares of the Company shall have the right to put forward proposals. The contents of the proposal shall fall within the terms of reference of the general meeting and have specified subjects and specific resolutions, in further compliance with the laws and regulations and the Company's Articles of Association.

In addition, Shareholders individually or in the aggregate holding more than 3% of the Shares of the Company may propose and submit a temporary proposal to the convener in writing ten days prior to date of the general meeting; the convener shall issue a supplementary notice of general meeting within two days after receipt of the said temporary proposal, to notify other shareholders and to submit the said temporary proposal to the general meeting for consideration. The contents of the temporary proposal shall fall within the terms of reference of the general meeting and have specified subjects and specific resolutions.

The general meeting shall not vote and adopt a resolution on any proposal that is not listed in the notice of the general meeting or that is inconsistent with the Article 68.

Putting forward enquiries to the board

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

Contact details

Shareholders may send their enquiries or requests as mentioned above to the Company by means of facsimile, email or post. The details of contact are as follows:

Shanghai Henlius Biotech, Inc. (For the attention of the Board of Directors)

Address: 9F, Innov Tower (Capitaland Building), 1801 Hongmei Road, Xuhui District, Shanghai, PRC, 200233
Fax: +86 021-34611802
Email: ir@henlius.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The chairman of the Board and the chairman of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet Shareholders and answer their enquiries.

During the period from the Listing Date to 31 December 2019, the Company has amended Article 2, 5 and 20 of the Articles of Association of the Company. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

To promote effective communication, the Company maintains a website at http://www.henlius.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Policies relating to shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a profit distribution administration policy. Such details have been disclosed in the section headed "Profit Distribution Plan" on page 28 of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Scott Shi-Kau Liu, aged 57, the co-founder of the Company, was appointed as an executive director of the Company on 24 February 2010.

Dr. Liu is the co-founder of the Group and holds various positions in the Company and its holding subsidiaries, including the president and chief executive officer of the Company from February 2010 to February 2020, and the chief executive officer of the Company from February 2020; the chief executive officer of Henlix Biotech Co., Ltd. (漢霖生技股份有限公司) since October 2010; the president and chief executive officer of Shanghai Henlius Biopharmaceutical Co., Ltd. (上海復宏漢霖生物製藥有限公司) from June 2014 to February 2020, and the chief executive officer since February 2020; the president and chief executive officer of Shanghai Henlius Biologics Co., Ltd. (上海復宏漢霖生物醫藥有限公司) from December 2017 to February 2020, and the chief executive officer since February 2020; the chief executive officer of Hengenix Biotech since September 2015; and the corporate general manager of Henlius Europe GmbH since December 2018.

Dr. Liu has more than 25 years of experience in biopharmaceutical R&D, manufacturing and quality management. He started his career as a deputy professor in the department of biology of National Sun Yat-sen University of Taiwan from August 1993 to August 1994 right after a postdoctoral training in biology at Stanford University in the United States from August 1991 to August 1993. Prior to joining to the Group, Dr. Liu has engaged in research activities from 1994 to 1998, and has previously served several executive positions such as the vice president of R&D in Asia from October 1998 to March 2000 and the director for quality operations and regulatory affairs from January 1998 to December 2003 for United Biomedical, Inc., the associate director in biologics quality control at Bristol-Myers Squibb Technical Operations from December 2003 to January 2007 and the director of quality analytical labs at Amgen Inc. Fremont (now known as Boehringer Ingelheim Fremont Inc.) from January 2007 to November 2008.

Dr. Liu has earned multiple awards and esteemed recognitions. He was awarded “People of the Year in Bio-Industry” by “17Talk Bio-Industry Awards” in 2017 and “Technical Operations Presidential Award” by Bristol-Myers Squibb in 2006.

Dr. Liu received his bachelor’s degree in micro-biology from Soochow University of Taiwan in June 1984 and his Ph.D. degree in biology from the Purdue University in the United States in May 1991.

NON-EXECUTIVE DIRECTORS

Mr. Qiyu Chen, aged 47, was appointed as a non-executive director of the Company on 15 January 2013 and the chairman of the board of directors on 8 December 2018. Mr. Chen joined Fosun Pharma in April 1994 and has been working there ever since. He has been appointed as a director and the chairman of Fosun Pharma in May 2005 and June 2010, respectively. He is currently an executive director of Fosun International since July 2015, and he has been a co-president from March 2017 to February 2020 and a co-chief executive officer since February 2020. Mr. Chen has been a non-executive director and a vice chairman of Sinopharm Group Co. Ltd. (國藥控股股份有限公司) (Stock Exchange stock code: 01099) since May 2010 and September 2014, respectively, a director of Beijing Sanyuan Foods Co., Ltd. (北京三元食品股份有限公司) (Shanghai Stock Exchange stock code: 600429) since March 2015, and a non-executive director of Babytree Group (Stock Exchange stock code: 01761) since June 2018, respectively. In addition, Mr. Chen holds directorships in various companies invested by Fosun International and its affiliated companies and has served as the co-chairman of New Frontier Health Corporation (listed on the New York Stock Exchange, stock code: NFH) since December 2019. Mr. Chen also served as a director of Maxigen Biotech Inc. (和康生物科技股份有限公司) (Taiwan Stock Exchange stock code: 01783) from December 2015 to November 2017 and a director of Dian Diagnostics Group Co., Ltd. (迪安診斷技術集團股份有限公司) (Shenzhen Stock Exchange stock code: 300244) from May 2010 to February 2019.

Mr. Chen has been the chairman of China Medical Pharmaceutical Material Association (中國醫藥物資協會), vice president of China Pharmaceutical Innovation and Research Development Association (中國醫藥創新促進會), chairman of Shanghai Biopharmaceutical Industry Association (上海生物醫藥行業協會) and vice chairman of the Shanghai Society of Genetics (上海市遺傳學會).

Mr. Chen obtained a bachelor degree in genetics from Fudan University (復旦大學) in the PRC in July 1993 and a master degree of business administration from China Europe International Business School (中歐國際工商學院) in the PRC in September 2005.

Mr. Yifang Wu, aged 50, was appointed as a non-executive director of the Company on 12 June 2015. Mr. Wu is the executive director, president and chief executive officer of Fosun Pharma. Mr. Wu joined Fosun Pharma in April 2004. He was the senior vice president of Fosun Pharma from July 2014 to January 2016 and the senior vice president and chief operating officer of Fosun Pharma from January 2016 to June 2016. He has been the president and chief executive officer of Fosun Pharma since June 2016 and has been appointed as executive director of Fosun Pharma since August 2016. Prior to joining Fosun Pharma Group, Mr. Wu has been a technician, director, production officer, finance director, assistant to director of Xuzhou Biochemical Pharmaceutical Factory (徐州生物化學製藥廠), a deputy director of Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant (徐州（萬邦）生物化學製藥廠), the deputy general manager of Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd. (徐州萬邦生化製藥有限公司) and Jiangsu Wanbang Biopharmaceutical Co., Ltd. (江蘇萬邦生化醫藥股份有限公司), the president of Jiangsu Wanbang Biopharmaceutical Co., Ltd. (where Xuzhou Biochemical Pharmaceutical Factory (徐州生物化學製藥廠), Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant (徐州（萬邦）生物化學製藥廠), Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd. (徐州萬邦生化製藥有限公司) and Jiangsu Wanbang Biopharmaceutical Co., Ltd. (江蘇萬邦生化醫藥股份有限公司) were predecessors of Jiangsu Wanbang) and the chairman of Jiangsu Wanbang Biopharmaceutical Co., Ltd. Mr. Wu is also a non-executive director of Sisram Medical Ltd (復銳醫療科技有限公司) (Stock Exchange stock code: 01696) since October 2016.

Mr. Wu graduated from Nanjing University of Science and Technology (南京理工大學) majoring in international commerce in the PRC in 1996 and obtained a master degree in business administration from Saint Joseph's University in the United States in 2005.

Ms. Xiaohui Guan, aged 49, was appointed as a non-executive director of the Company on 24 December 2018. Ms. Guan joined the Fosun Pharma in May 2000 and has been the senior vice president and chief financial officer of Fosun Pharma since June 2015. Prior to joining the Fosun Pharma Group, Ms. Guan worked at Jiangxi Branch of Industrial and Commercial Bank of China from July 1992 to May 2000. Ms. Guan has been a non-executive director of Sinopharm Group Co. Ltd. (國藥控股股份有限公司) (Stock Exchange stock code: 01099) since March 2019.

Ms. Guan obtained a bachelor degree of economics from Jiangxi University of Finance and Economics (江西財經大學) in the PRC in June 2000 and acquired a master degree of professional accountancy from Chinese University of Hong Kong in December 2007. Ms. Guan is qualified as Chinese Certified Public Accountant and a member of The Association of Chartered Certified Accountants.

Dr. Aimin Hui, aged 57, was appointed as a non-executive director of the Company on 10 April 2018. Dr. Hui joined the Fosun Pharma in November 2017 and is currently the senior vice president of Fosun Pharma since November 2017. Prior to joining the Fosun Pharma Group, Dr. Hui was an assistant professor and lecturer at the Faculty of Medicine of University of Tokyo (東京大學醫學院) from October 1997 to October 2000, a visiting scientist and researcher at National Cancer Institute in the U.S. from October 2000 to December 2006, a medical director of GE Healthcare Group from January 2007 to December 2008, a medical director of Cephalon, Inc. from January 2009 to April 2010, a clinical oncology director and senior director of Takeda Pharmaceutical Company Limited from April 2010 to November 2015, and a vice president of the global clinical research and development of Sanofi from November 2015 to October 2017.

Dr. Hui obtained a bachelor degree of medicine from Hebei Medical University (河北醫科大學) in the PRC in August 1984 and a doctoral degree from the School of Medicine of Shinshu University (信州大學醫學院) in Japan in September 1994.

Mr. Jiemin Fu, aged 67, was appointed as a non-executive director of the Company on 15 January 2013 and the chairman of the first session of the Board of Directors from 30 August 2016 to 8 December 2018. Mr. Fu joined the Fosun Pharma Group in July 2005 and has been a senior adviser of Fosun Pharma since August 2012, responsible for providing counselling services. Mr. Fu worked at the Chongqing Pharmaceutical (Group) Co., Ltd. (重慶醫藥工業研究院有限責任公司) (formerly known as Chongqing Pharmaceutical Research Institute (重慶醫藥工業研究院)) from September 1989 to December 2015 with his last position as a director.

Mr. Fu obtained a master's degree of medicine from Inner Mongolia Medical College (內蒙古醫學院) in the PRC in July 1987.

Mr. Fu resigned as a non-executive director of the Company on 19 February 2020.

Mr. Zihou Yan, aged 56, has been appointed as the non-executive director since 19 February 2020. Mr. Yan has been the senior vice president of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd.* (上海復星醫藥產業發展有限公司) since January 2019. Previously, Mr. Yan served as a secretary of the CPC Committee and deputy head of Chengdu Institute of Biological Products Co., Ltd.* (成都生物製品研究所有限責任公司) (formerly known as Ministry of Health Chengdu Institute of Biological Products* (衛生部成都生物製品研究所) and Chengdu Institute of Biological Products* (成都生物製品研究所)) from January 2007 to September 2010. From September 2010 to December 2018, Mr. Yan worked for Shanghai Institute of Biological Products Co., Ltd.* (上海生物製品研究所有限責任公司) as the general manager and deputy secretary of the CPC Committee.

Mr. Yan obtained a bachelor degree in Science from Sichuan University (四川大學) in China in December 1986, and a master degree in Business Administration from the University of Electronic Science and Technology of China (電子科技大學) in March 2004.

Independent non-executive directors

Mr. Tak Young So, aged 49, was appointed as an independent non-executive director of the Company on 2 September 2019.

Mr. So has more than 20 years of experience in finance, accounting, investment and private equity businesses with global financial institutions and asset management companies. He started his career as an auditor with Ernst & Young, Hong Kong from February 1993 to December 1994. Mr. So has been the founding and managing partner of FastLane Group since July 2012 and has been a partner of Prospere Capital Limited since January 2018.

Mr. So has previously served various positions, including group audit and project manager of strategic and performance improvement group in the Sydney office of Commonwealth Bank of Australia from January 1995 to January 1998, vice president of global capital market/Asia treasury and vice president of financial controls of Bank of America, Hong Kong from January 1998 to March 2002, head of finance and operations of consumer banking in Hong Kong, head of asset and liability management of Greater China/Asia Pacific and chief financial officer of consumer, commercial and private bank in Hong Kong of ABN AMRO Bank N.V., Hong Kong from March 2002 to January 2005, chief financial officer of Hamon Investment Group, an affiliate of Bank of New York Mellon from February 2005 to August 2007, chief financial officer of Asia Pacific of asset management division for Deutsche Bank, Hong Kong from August 2007 to November 2011, and chief financial officer of PAG Capital from November 2011 to April 2012.

Mr. So received his bachelor of business degree in accounting and finance and his master of business administration degree in banking from the University of Technology in Sydney, Australia in April 1994 and September 1998, respectively. He is a fellow member of the Australian Society of Certified Practising Accounting Australia (FCPA) since August 2011.

Dr. Lik Yuen Chan, aged 51, was appointed as an independent non-executive Director of the Company on 2 September 2019.

Dr. Chan is a world famous academic in liver diseases with extensive achievement and recognition in clinical practice and research teaching. Dr. Chan has served various positions in the Chinese University of Hong Kong, including a director of the centre of liver health since January 2006 and the associate dean of the faculty of medicine since July 2018, and currently the associate dean of external affairs of the faculty of medicine. He is also a professor of the Department of Medicine and Therapeutics.

Dr. Chan received a bachelor's degree of medicine and surgery from the Chinese University of Hong Kong in December 1992, a doctor's degree of medicine from the Chinese University of Hong Kong in November 2001 and a master's degree in business administration from the University of Hong Kong in November 2014. He is a member of Royal College of Physicians of the United Kingdom since November 1995, a fellow of Hong Kong College of Physicians since May 2000, a fellow of Hong Kong Academy of Medicine since June 2000, a fellow of Royal College of Physicians of Edinburgh since July 2003, a fellow of Royal College of Physicians of London since May 2006 and a fellow of American Association for the Study Liver Diseases since October 2016.

Dr. Guoping Zhao, aged 71, was appointed as an independent non-executive director on 2 September 2019.

Dr. Zhao is a molecular microbiologist. Currently, he has been the chairman of the Advisory Committee of the Key Laboratory of Synthetic Biology at the Institute of Plant Physiology and Ecology (IPPE) of the Chinese Academy of Sciences (CAS) (中國科學院植物生理生態研究所合成生物學重點實驗室), the chair professor of the Department of Microbiology of Health Sciences at The Chinese University of Hong Kong, the professor and director of Department of Microbiology and Microbial Engineering at the School of Life Sciences of Fudan University (復旦大學生命學院微生物與微生物工程系) and the chief scientist of Biomedical Big Data Center at the Shanghai Institute of Nutrition and Health of CAS (中國科學院上海營養與健康研究所生物醫學大數據中心).

Previously, Dr. Zhao served various positions at the CAS related to life science research since 1990s, such as the researcher, deputy director and successively as the director of the Microorganism Secondary Metabolism Regulation Laboratory of IPPE, SIBS, CAS (中國科學院上海生命科學研究院植物生理生態研究所次生代謝分子調控研究開放實驗室) from December 1994 to January 1997, the researcher and successively as the director of Shanghai Research Center of Biotechnology, Chinese Academy of Sciences (中國科學院上海生物工程研究中心) from January 1997 to July 1999, and the researcher and successively as the director of SIBS, CAS from July 1999 to December 2001.

Dr. Zhao was elected as a member of the Chinese Academy of Sciences (中國科學院院士) in 2005 and Fellow of the Third World Academy of Sciences (第三世界科學院院士) in 2011. Dr. Zhao obtained a bachelor of science degree in micro-biology from Fudan University in Shanghai (復旦大學) in the PRC in July 1982 and a Ph.D degree in biochemistry from the Purdue University in the United States in December 1990.

Dr. Ruilin Song, aged 57, was appointed as an independent non-executive director of the Company on 2 September 2019.

During the time he worked in the Legislative Affairs Office of the State Council of China, Dr. Song was mainly engaged in the legislative review and research of health and medicine for 22 years. He participated in China's health and drug legislation activities from 1987 to 2006, in charge of the drafting and review of the current Drug Administration Law of the PRC, Law of the PRC on the Prevention and Treatment of Communicable Diseases, Law of the PRC on Medical Practitioners, Regulations on Medical Institutions, and Regulations for the Supervision and Administration of Medical Devices, etc.

Since 2007, Dr. Song has been dedicated to the research of China's pharmaceutical policies, especially the policies for pharmaceutical innovation. Under his leadership, Research Center for Medicinal Policy of Chinese Pharmaceutical Association and PhIRDA (中國醫藥創新促進會) had finalised dozens of pharmaceutical policy projects in China.

Dr. Song has been working as executive president of PhIRDA (former named China Pharmaceutical Industry Research and Development Association (中國醫藥工業科研開發促進會)) from November 2009 to September 2019, and the president of PhIRDA since September 2019.

Dr. Song also works as executive deputy director of National Drug Policy and Industrial Development Research Center of China Pharmaceutical University, vice chairman of China Alliance of Rare Diseases(CARD), director of Chinese Pharmaceutical Association (CPA), standing director of Chinese Pharmacist Association, arbitrator of China International Economic and Trade Arbitration Commission (CIETAC), expert of Capital Medical Reform Expert Group and a member of the Biotech Advisory Panel of the Stock Exchange among other important social positions.

Dr. Song has been an independent director of Jointown Pharmaceutical Group Co., Ltd. (九州通醫集團股份有限公司) (Shanghai Stock Exchange stock code: 600998) from November 2008 to November 2014; an independent director of Zhejiang Jolly Pharmaceutical Co., Ltd. (浙江佐力藥業股份有限公司) (Shenzhen Stock Exchange stock code: 300181) from July 2009 to January 2014; an independent director of Shanxi Zhendong Pharmaceutical Co., Ltd. (山西振東製藥股份有限公司) (Shenzhen Stock Exchange stock code: 300158) from June 2015 to September 2019; an independent director of Jiangxi Boya Bio-pharmaceutical Co., Ltd. (江西博雅生物製藥股份有限公司) (Shenzhen Stock Exchange stock code: 300294) since March 2017; an independent director of Tibet Aim Pharm. Inc. (西藏易明西雅醫藥科技股份有限公司) (Shenzhen Stock Exchange stock code: 002826) since August 2015; a non-executive director of Luye Pharma Group Ltd. (Stock Exchange stock code: 02186) since March 2017 and an independent director of Shenzhen Chipscreen Biosciences Co., Ltd.(深圳微芯生物有限公司) (Star Market of Shanghai Stock Exchange stock code: 688321) since June 2018.

Dr. Song obtained a bachelor of laws degree from China University of Political Science and Law (中國政法大學) in June 1985, a master in business administration degree from China Europe International Business School (中歐國際工商學院) in November 2004 and a doctoral degree in social and administrative pharmacy from China Pharmaceutical University (中國藥科大學) in December 2018.

BOARD OF SUPERVISORS

Mr. Zhou Yong (周勇), aged 48, was appointed as a Supervisor of the Company on 12 June 2015, and the chairman of the board of supervisors on 30 August 2016. Mr. Zhou has been the assistant to the president and the director of office of Fosun Pharma Industrial since December 2014; he currently serves as the executive general manager of human resources department of Fosun Pharma, and the vice president and the general manager of human resources and administration department of Fosun Pharma Industrial. Prior to joining the Fosun Pharma Group, Mr. Zhou served as the human resources manager of Shanghai Lucent Technology Transmission Equipment Co., Ltd.(上海朗訊科技傳輸設備有限公司) from January 1994 to February 1998; the senior human resources specialist of UNITED STATES ELI LILLY (ASIA) CO.(美國禮來亞洲公司) from February 1998 to March 2001; the human resources manager of the China division at Shanghai AC Ni'ersen Market Research Limited Company(上海AC尼爾森市場調研有限公司)from March 2001 to May 2003; the deputy director of human resources of the China business division of Yum! Brands Inc.(百勝餐飲集團)from May 2003 to November 2011; and the head of human resources shared service of the China division at Akzo Nobel (China) Investment Co., Ltd.(阿克蘇諾貝爾(中國)投資有限公司) from November 2011 to December 2014.

Mr. Zhou graduated from the Shanghai Institute of Mechanical Technology (上海機械專科學校) (currently known as University of Shanghai for Science and Technology (上海理工大學)), in China in July 1993, majoring in industrial corporate management, obtained a postgraduate diploma in international public relations from the School of Professional Continuing Education at the University of Hong Kong in May 2001 and obtained a graduate diploma on human resources management from the Singapore Human Resources Institute (新加坡人力資源管理學院) in Singapore in November 2003, respectively.

Mr. Zhou resigned the supervisor of the Company and the chairman of the board of supervisors on 19 February 2020.

Ms. Dai Kun (戴昆), aged 42, was appointed as the supervisor of the Company and the chairman of the board of supervisors on 19 February 2020. Ms. Dai served as the assistant to the president and general manager of the human resources department of Fosun Pharma from March 2018 to January 2020; and as the vice president and general manager of human resources of Fosun Pharma since January 2020. Prior to joining Fosun Pharma Group, Ms. Dai worked as the customer service representative at China International Intellectech Co., Ltd. (中國國際技術智力合作有限公司) from July 2000 to November 2001. From November 2001 to February 2012, she served as the assistant to the vice president, specialist and supervisor of human resources, the manager of human resources sharing centre as well as the manager of the business department and the deputy director of human resources of Beijing Novartis Pharma Ltd.* (北京諾華製藥有限公司). From March 2012 to August 2015, she was the human resources director of Novartis China (諾華集團(中國)) in Greater China and South Korea regions. From November 2015 to March 2018, Ms. Dai served as the director of the recruitment centre and director of corporate services human resources of Novartis China (諾華集團(中國)). She has been appointed as the non-executive director of Sinoharm Group Co., Ltd. (國藥控股股份有限公司) (Stock Exchange stock code: 01099) since June 2019. In August 2019, she was also appointed as the non-executive director of Sisram Medical Ltd (復銳醫療科技有限公司) (Stock Exchange stock code: 1696).

Ms. Dai obtained a Bachelor of Arts from the China University of Political Science and Law in June 2000.

Mr. Kong Deli (孔德力), aged 45, was appointed as a Supervisor of the Company on 30 August 2016. Mr. Kong worked at Fosun Pharma from June 2005 to December 2012, with his last position as a patent affairs senior officer (專利事務高級總監). Mr. Kong has been working with Fosun Pharma Industrial since January 2013 and successively served as the senior researcher, deputy director, assistant to head of research institute, minister of policy and information research centre and deputy head of the research institute and minister of policy and information research centre and the vice president and the executive vice president of the global R&D centre. Prior to joining the Fosun Pharma Group, Mr. Kong also previously served as an assistant researcher at the Shanghai Institute of Biochemistry and Cell Biology of the Chinese Academy of Sciences (中國科學院上海生物化學與細胞生物研究所).

Mr. Kong obtained a master of engineering degree in biochemical engineering from the School of Engineering of East China University of Science and Technology (華東理工大學) in China in July 1999.

Ms. Wang Jingyi (王靜怡), aged 45, was appointed as a Supervisor of the Company on 30 August 2016. Ms. Wang has been working at the Company since May 2010 and successively served as QA director and manufacturing director, where she was mainly responsible for the Phase 3 clinical drug production and commercial manufacturing of several mAbs. Ms. Wang has worked in the biopharmaceutical industry for over 20 years and is mainly engaged in drug research and development, quality control, GMP production management and quality management. Prior to joining the Group, she worked at Shanghai Sunway Biotech Co., Ltd. from July 1996 to April 2010, where she was mainly responsible for process development and analytical methods development in the early stage, and served as QA/QC manager in the later period.

Ms. Wang graduated from East China University of Science and Technology (華東理工大學) in China in July 1996 and obtained a master of business administration degree from Fudan University (復旦大學) in China in January 2007.

SENIOR MANAGEMENT OF THE GROUP

The Chief Executive Officer, the president of the Company and other members of the senior management of the Group are responsible for the day-to-day management of the business of the Company. Certain information relating to the Chief Executive Officer is set out in "— Board of Directors" above.

Mr. Wenjie Zhang (張文傑), aged 52, has been the senior vice president, chief commercial operation officer and chief strategy officer of the Company from March 2019 to February 2020, and has served as the president of the Company since February 2020.

Mr. Zhang has more than 25 years of commercial operation experience in the pharmaceutical industry. Prior to joining the Group, he served as the vice president, Oncology Business Unit 2 of Shanghai Roche Pharmaceuticals, China from December 2010 to April 2014. From August 2006 to December 2010, he served as head of Specialty Therapeutics & Oncology Unit-Bayer Schering Pharma, China. From September 2014 to May 2015, he served as the executive director of Amgen Japan & Asia Pacific, and from May 2015 to March 2019, he served as the general manager of Amgen China.

Mr. Zhang obtained a bachelor's degree in microbiology from Shandong University, China, in July 1990 and a Master's degree in Public and Private Management from Yale University, USA, in May 1998.

Mr. Xinjun Guo (郭新軍), aged 48, was the Vice President and Secretary of the Board of the Company from February 2010 to March 2019, and has been the Senior Vice President and Secretary of the Board of the Company since March 2019.

Prior to joining the Group, Mr. Guo has previously served as chief engineer at Shanghai Clone High Technology Co., Ltd. (上海克隆高技術有限公司) (now known as Shanghai Kaimao Bio-Pharmaceutical Co., Ltd. (上海凱茂生物醫藥有限公司)) from May 2009 to December 2009, secretary of the board of directors and deputy general manager of Zhejiang Cifu Pharmaceutical Co., Ltd. (浙江賜富醫藥有限公司) from January 2004 to May 2009, a director and deputy general manager of Hangzhou Taishi Biotechnology Co., Ltd. (杭州泰士生物科技有限公司) from April 2000 to December 2003, and researcher, project manager, research manager and chief engineer of Hangzhou Jiuyuan Gene Engineering Co., Ltd. (杭州九源基因工程有限公司) from October 1993 to March 2000.

He has been involved in the development of a Category II new drug that is the first listed recombinant human granulocyte colony-stimulating factor (rhG-CSF) injection in China. He was awarded Outstanding Technology Development Talent of Hangzhou, Second Prize for Science and Technology Progress Award of Zhejiang Province and First Prize for Science and Technology Progress Award of Hangzhou. In addition, Mr. Guo is the vice-chairman of Shanghai Biopharmaceutics Industry Association Monoclonal Antibody Drug Professional Committee.

Mr. Guo received his bachelor's degree from Genetics and Genetic Engineering Department of Fudan University (復旦大學) in China in July 1993, and a master's degree of business administration from Zhejiang University (浙江大學) in China in March 2005.

Dr. Zidong Zhang (張子棟), aged 39, served as the Chief Financial Officer of the Company since March 2018.

Prior to joining the Group, Dr. Zhang has previously worked as an equity analyst for UBS in New York from September 2014 to March 2018, covering US large cap pharmaceuticals and specialty pharmaceutical sector. He was an internal consultant for Bayer AG, a global pharmaceutical company, from June 2011 to September 2014, where he had multiple projects across the United States, Europe and China, including strategic planning and market forecasts for United States and China, merger and acquisition, organisational structure design and implementation.

Dr. Zhang obtained a bachelor's degree in chemistry from Fudan University (復旦大學) in China in May 2002, and both a master's degree and a Ph.D in biochemistry from the School of Medicine of Boston University in the United States in January 2008 and a master's degree of business administration from the Fuqua School of Business of Duke University in the United States in May 2011.

Dr. Alvin Ying-Ming Luk (陸英明), aged 49, served as Senior Vice President of Global Clinical R&D and Medical Affairs and Chief Medical Officer of the Company from December 2017 to March 2020. Dr. Luk has been in the biotechnology and pharmaceutical industries for approximately 20 years. Prior to joining the Group, he has held executive roles at companies such as Spark Therapeutics, Inc., Biogen-Hemophilia (acquired by Sanofi in 2018), Bayer Schering Pharma LLC., Avigen, Inc. (acquired by Genzyme Corporation in 2005) and Tularik, Inc. (acquired by Amgen Inc. in 2003) since 1998.

Dr. Luk holds an MBA from Harvard Business School in January 2012, earned his doctoral degree in neuroscience from the University of California San Francisco in December 2001 and Bachelor's degree in Molecular and Cell Biology from the University of California Berkeley in the United States in May 1993.

Mr. Xin Zhang (張昕), aged 59, served as a Senior Clinical Officer, an Executive Clinical Operation Officer and a Vice General Manager of the Global Clinical and Medical Affairs of the Company successively from April 2016 to March 2019 and has been the Global Clinical as Medical Affairs Vice President of the Company from March 2019 to February 2020.

Mr. Zhang has more than 20 years of experience in medicine research and development in the pharmaceutical industry. Prior to joining the Group, Mr. Zhang worked at Merck from January 2000 to April 2004, responsible for early-stage pharmaceuticals research and development. From October 2006 to October 2009, he served as a research scientist at Bayer U.S. LLC, responsible for pre-clinical pharmaceuticals research and development. He was a senior clinical trial manager at Biogen from October 2009 to April 2013 and engaged in clinical medicine research and development.

Mr. Zhang was the member of the first session of Pharmaceutical Clinical Research Professional Committee (藥物臨床研究專業委員會) of the China Pharmaceutical Industry Research and Development Association(中國醫藥創新促進會)from 2015 to 2019. He has been the standing committee member of Smart Medical Experts Committee (智慧醫療專家委員) of Chinese Society of Clinical Oncology (中國臨床腫瘤學會) since August 2018.

Mr. Zhang received his bachelor's degree in medicine from Norman Bethune University of Medical Science in the PRC and his master's degree of Science from the Graduate School of Biomedical Sciences at the University of Texas in August 1984 and December 1994, respectively.

JOINT COMPANY SECRETARIES

Mr. Xinjun Guo (郭新軍) was appointed as a Joint Company Secretary of the Company on 27 September 2018. See "— Senior Management of the Group" above for further details.

Ms. Ching Ching Leung (梁晶晶), aged 39, was appointed as a Joint Company Secretary of the Company on 27 September 2018. Ms. Leung is a senior manager of Corporate Services Department of Tricor Services Limited, an Asia's leading business expansion specialist specialising in integrated business, corporate and investor services.

Ms. Leung has over 15 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Leung is also currently the company secretary of other four companies listed in the Stock Exchange.

Ms. Leung is a Chartered Secretary and a Fellow of both the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute. Ms. Leung received a Degree of Bachelor of Social Science from The Chinese University of Hong Kong in December 2003 and a Master of Arts in Professional Accounting and Information System from City University of Hong Kong in November 2006.

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Shanghai Henlius Biotech, Inc.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Henlius Biotech, Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 67 to 135, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development expenditure During the year ended 31 December 2019, expenditure incurred on projects to develop new biopharmaceutical products of RMB798,937,000 was capitalised in intangible assets-deferred development costs in the consolidated financial statements. The expenditure on development activities was capitalised and deferred when all the criteria mentioned in note 2.4 Summary of Significant Accounting Policies was satisfied. This matter was significant to our audit because significant management estimation and judgements were required in determining whether the development expenditure met the capitalisation criteria. The disclosures about capitalisation of the development expenditure are included in note 2.4 Summary of Significant Accounting Policies, note 3 Significant Accounting Judgements and Estimates and note 15 Intangible Assets to the financial statements.	Our audit procedures included, among others, assessing whether the capitalisation policy adopted was in line with IFRSs, obtaining an understanding of the Group's internal approval procedures regarding the capitalization of development expenditure by conducting interview with key management members in charge of research, development and industrialisation of various projects, and obtaining certifications related to different stages of development activities and commercial and technical feasibility reports prepared by the management. We also focused on the adequacy of the disclosures in the consolidated financial statements
Impairment of intangible assets The carrying value of indefinite-life intangible assets (non-patent technologies) and deferred development costs in the consolidated financial statements amounted to RMB48,921,000 and RMB1,775,660,000, respectively, as at 31 December 2019. In accordance with IFRSs, the Group is required to perform impairment test for indefinite-life intangible assets and deferred development costs at least on an annual basis. The impairment test is based on the recoverable amount of each individual asset. This matter was significant to our audit because the impairment test process was complex and involved significant management judgements and estimates. The disclosures about impairment of the indefinite-life and deferred development assets are included in note 2.4 Summary of Significant Accounting Policies, note 3 Significant Accounting Judgements and Estimates and note 15 Intangible Assets to the financial statements.	Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the management, in particular, discount rates, royalty rates, contributory asset charges and growth rates beyond budget period used in the valuation method based on cash flow forecast of each individual asset. We paid attention to the forecast used with respect to future revenues and operating results by comparing the forecasts with the business development plan of each individual asset. We also focused on the adequacy of the disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
23 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**90,929**	7,421
Cost of sales		**(71,821)**	(5,398)
Gross profit		**19,108**	2,023
Other income and gains	6	**24,674**	30,308
Selling and distribution expenses		**(45,689)**	–
Administrative expenses		**(174,834)**	(109,050)
Impairment losses on financial assets		**(5,300)**	–
Research and development expenses		**(607,827)**	(365,382)
Other expenses		**(36,635)**	(223)
Finance costs	8	**(48,307)**	(57,896)
LOSS BEFORE TAX	7	**(874,810)**	(500,220)
Income tax expense	11	**(655)**	(4,569)
LOSS FOR THE YEAR		**(875,465)**	(504,789)
Attributable to:			
Owners of the parent		**(875,465)**	(493,686)
Non-controlling interests		**–**	(11,103)
		(875,465)	(504,789)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	13	**(1.76)**	(1.16)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
LOSS FOR THE YEAR	**(875,465)**	(504,789)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(1,180)**	656
Reclassification adjustments for a foreign operation disposed of during the year	**1,024**	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(156)**	656
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(875,621)**	(504,133)
ATTRIBUTABLE TO:		
Owners of the parent	**(875,621)**	(491,533)
Non-controlling interests	**–**	(12,600)
	(875,621)	(504,133)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**500,713**	323,979
Intangible assets	15	**2,175,149**	1,382,572
Right-of-use assets	16	**356,678**	170,822
Other non-current assets	17	**206,578**	130,432
Total non-current assets		**3,239,118**	2,007,805
CURRENT ASSETS			
Inventories	18	**129,871**	25,203
Trade and bills receivables	19	**29,830**	6,821
Prepayments, deposits and other receivables	20	**196,347**	89,947
Pledged deposits	21	**3,559**	6,024
Cash and cash equivalents	21	**2,301,092**	958,990
Total current assets		**2,660,699**	1,086,985
CURRENT LIABILITIES			
Trade and bills payables	22	**240,158**	85,309
Other payables and accruals	23	**409,199**	296,348
Contract liabilities	24	**32,039**	9,108
Interest-bearing bank and other borrowings	25	**278,241**	142,678
Total current liabilities		**959,637**	533,443
NET CURRENT ASSETS		**1,701,062**	553,542
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,940,180**	2,561,347
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	**331,148**	385,340
Contract liabilities	24	**572,515**	335,347
Deferred income	27	**36,102**	38,111
Total non-current liabilities		**939,765**	758,798
Net assets		**4,000,415**	1,802,549
EQUITY			
Share capital	28	**543,495**	474,433
Reserves	29	**3,456,920**	1,328,116
Equity attributable to owners of the parent and total equity		**4,000,415**	1,802,549

Chen Qiyu
Director

Scott Shi-Kau Liu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent							
	Share capital RMB'000	Share premium* RMB'000	Other reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated loss* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	366,287	326,546	(341,621)	(2,800)	(428,486)	(80,074)	4,084	(75,990)
Loss of the year	–	–	–	–	(493,686)	(493,686)	(11,103)	(504,789)
Other comprehensive income/(loss) for the year:								
Exchange differences related to foreign operations	–	–	–	2,153	–	2,153	(1,497)	656
Total comprehensive loss for the year	–	–	–	2,153	(493,686)	(491,533)	(12,600)	(504,133)
Capital contribution from shareholders	85,396	2,343,846	–	–	–	2,429,242	–	2,429,242
Issue of restricted shares under share award scheme (note 30)	22,750	186,778	(209,528)	–	–	–	–	–
Equity-settled share-based payments (note 30)	–	–	92,547	–	–	92,547	–	92,547
Acquisition of non-controlling interests in a subsidiary	–	–	(147,633)	–	–	(147,633)	8,516	(139,117)
At 31 December 2018	474,433	2,857,170	(606,235)	(647)	(922,172)	1,802,549	–	1,802,549

	Attributable to owners of the parent					
	Share capital RMB'000	**Share premium* RMB'000**	**Other reserve* RMB'000**	**Exchange fluctuation reserve* RMB'000**	**Accumulated loss* RMB'000**	**Total RMB'000**
At 1 January 2019	**474,433**	**2,857,170**	**(606,235)**	**(647)**	**(922,172)**	**1,802,549**
Loss of the year	**–**	**–**	**–**	**–**	**(875,465)**	**(875,465)**
Other comprehensive loss for the year:						
Exchange differences related to foreign operations	**–**	**–**	**–**	**(156)**	**–**	**(156)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(156)**	**(875,465)**	**(875,621)**
Issue of shares (note 28(a)):	**69,062**	**2,880,691**	**–**	**–**	**–**	**2,949,753**
Equity-settled share-based payments (note 30)	**–**	**–**	**123,734**	**–**	**–**	**123,734**
At 31 December 2019	**543,495**	**5,737,861**	**(482,501)**	**(803)**	**(1,797,637)**	**4,000,415**

* These reserve accounts comprise the consolidated other reserves of RMB3,456,920 (2018: RMB1,328,116) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:		**(874,810)**	(500,220)
Adjustments for:			
Finance costs	8	**48,307**	57,896
Reclassification adjustments for a foreign operation disposed of during the year		**(1,024)**	–
Impairment losses on financial assets	7	**5,300**	–
Depreciation of property, plant and equipment	7	**38,858**	22,606
Depreciation of right-of-use assets	7	**27,704**	19,700
Amortization of intangible assets	7	**15,937**	662
Amortization of deferred income	27	**(3,592)**	(13,512)
Exchange loss/(gain)	7	**32,283**	(8,927)
Share-based payment expense	7	**97,117**	71,686
Listing expenses	7	**18,443**	–
Loss on disposal of items of property, plant and equipment	7	**11**	111
Cash outflows before working capital changes		**(595,466)**	(349,998)
Increase in inventories		**(100,225)**	(252)
(Increase)/decrease in trade and bills receivables		**(28,309)**	13,079
(Increase)/decrease in prepayments, deposits and other receivables		**(75,473)**	76,424
Decrease/(increase) in pledged cash		**2,465**	(1,640)
Increase in trade and bills payables		**53,967**	7,276
Increase in other payables and accruals		**61,600**	22,312
Increase in contract liabilities		**237,386**	167,268
Increase in deferred income		**1,583**	17,921
Cash used in operations		**(442,472)**	(47,610)
Tax paid		**(655)**	(4,569)
Net cash flows used in operating activities		**(443,127)**	(52,179)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(288,945)**	(137,070)
Additions to intangible assets		**(632,326)**	(598,305)
Additions to right-of-use assets		**(211,654)**	–
Loans to related party		**–**	(366,000)
Repayment of loan from related party		**–**	366,000
Net cash flows used in investing activities		**(1,132,925)**	(735,375)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Entrusted loan from related party		**–**	270,000
Repayment of entrusted loan		**–**	(845,000)
New bank borrowings and other borrowings		**686,683**	337,864
Repayment of bank borrowings and other borrowings		**(591,632)**	(1,788)
Payment of lease liabilities		**(43,950)**	(40,427)
Net proceeds from issue of shares		**2,949,753**	–
Share issue expenses		**(17,851)**	–
Capital contribution from shareholders		**–**	2,429,242
Capital contributions from equity-settled share-based payments		**–**	209,528
Acquisition of non-controlling interests		**–**	(635,395)
Interest paid		**(35,112)**	(44,919)
Net cash flows from financing activities		**2,947,891**	1,679,105
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,371,839**	891,551
Cash and cash equivalents at beginning of year		**958,990**	58,512
Effect of foreign exchange rate changes, net		**(29,737)**	8,927
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,301,092**	958,990
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**2,304,651**	965,014
Less: Pledged deposits		**(3,559)**	(6,024)
Cash and cash equivalents as stated in the statements of cash flows		**2,301,092**	958,990

1. CORPORATE AND GROUP INFORMATION

Shanghai Henlius Biotech, Inc. (the "Company") is a joint stock company with limited liability established in the People's Republic of China ("PRC"). The registered office of the Company is located at Room 303, 304, Block 7, No.1999 Zhangheng Road, China (Shanghai) Pilot Free Trade Zone.

The Company and its subsidiaries are involved in the following principal activities:

- biopharmaceutical research and development ("biopharmaceutical R&D")
- biopharmaceutical service
- biopharmaceutical production

In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is Fosun International Holdings Limited which is a company registered in Hong Kong, and the ultimate controlling shareholder of the Company is Mr. Guo Guangchang.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 25 September 2019.

INFORMATION ABOUT SUBSIDIARIES

The particulars of the Company's principal subsidiaries are set as follows:

Name	Place and date of incorporation and place of operations	Issued ordinary/ registered share capital	Percentage of ownership interest Direct	Indirect	Principal activities
Shanghai Henlius Biopharmaceutical Co., Ltd. (上海復宏漢霖生物製藥有限公司)* Notes (4)	Shanghai, PRC 26 June 2014	Registered share capital of RMB 740,000,000	100%	–	Biopharmaceutical production; biopharmaceutical service; and biopharmaceutical R&D
Henlix Biotech Co., Ltd. (漢霖生技股份有限公司) ("Taiwan Henlius")	Taiwan 1 October 2010	Registered share capital of New Taiwan dollar ("NTD") 780,551,490	100%	–	Biopharmaceutical R&D and biopharmaceutical service
Hengenix Biotech, Inc. Notes (1)	CA, USA 18 August 2015	Registered share capital of United States dollar ("USD") 1,600,000	100%	–	Biopharmaceutical R&D and biopharmaceutical service
Shanghai Henlius Biologics Co., Ltd. (上海復宏漢霖生物醫藥有限公司)* Notes (4)	Shanghai, PRC 26 December 2017	Registered share capital of RMB600,000,000	100%	–	Biopharmaceutical production
Henlius Europe GmbH Notes (2)	Frankfurt, Germany 6 March 2019	Registered share capital of Euro ("EUR") 400,000	100%	–	Biopharmaceutical service
Henlix, Inc. Notes (1) and (3)	CA, USA 23 March 2015	Registered share capital of USD71,400,000	–	100%	Biopharmaceutical R&D and biopharmaceutical service
Shanghai Han Ying Biotechnology Co., Ltd. (上海漢穎生物技術有限公司)* Notes (2) and (4)	Shanghai, PRC 11 May 2016	Registered share capital of USD800,000	–	100%	Biopharmaceutical R&D and biopharmaceutical service

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

INFORMATION ABOUT SUBSIDIARIES *(CONTINUED)*

* The English name of these subsidiaries represented the best efforts made by management of Company to translate the Chinese names as they do not have official English names registered in PRC.

Notes:

(1) No audited financial statements have been prepared for these entities for the years ended 31 December 2019, as the entities are not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

(2) No audited financial statements have been prepared for these entities for the year ended 31 December 2019, as these entities had no operating activities for the year ended 31 December 2019.

(3) This entity had been terminated legally in November 2018 and had finished all the liquidation related activities by the year ended 31 December 2019.

(4) These subsidiaries are registered as limited liability companies under PRC Law.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in RMB, and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION *(CONTINUED)*

BASIS OF CONSOLIDATION *(CONTINUED)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Pursuant to the Accountants' Report of the Group in connection with the listing of the shares of the Company on the Stock Exchange, all IFRSs effective for the accounting period commencing from 1 January 2019 set below had been early adopted by the Group in the preparation of the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2017 and 2018 and the three months ended 31 March 2019, and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2017 and 2018 and 31 March 2019. Thus, the effectiveness of the below accounting policies and disclosures have no impact to the Group's financial statements for the year end of 31 December 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 No mandatory effective date yet determined but available for adoption

These issued but not yet effective IFRSs are not expected to have any significant impact on the Group's consolidated financial statements in the future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	10%-20%
Motor vehicles	20%
Office and other equipment	10%-20%
Electronic equipment	10%-20%
Leasehold improvements	10%-20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Non-patent technologies

Non-patent technologies have been classified as assets with an indefinite useful life. They have indefinite life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows, the extension cost is low and assets can be used indefinitely. They are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful lives of such intangible assets are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Medicine licences

Medicine licences with finite useful lives are measured initially at cost, which transfer from the deferred development costs after such medicine getting the medicine licences from the related authorities. Medicine licenses are amortised on the straight-line basis over the respective estimated useful lives of 20 years, the useful lives of the medicine licences are assessed by the Group after considering the useful lives of similar medicine and the market condition.

Office software

Purchased office software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 5 to 10 years. The useful lives of the software are assessed by the Group after considering the contractual term, the current functionality equipped by the software, using plan and operation needs of the software. The software served as basement IT system or technological platform is amortised over a long period as 10 years. Software served as fast updating applications and single application software is amortised over a shorter period, such as 5 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

The expenditure on an internal research and development project is classified into expenditure in the research phase and expenditure in the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets (other than goodwill) *(continued)*

Research and development costs *(continued)*

Expenditure in the development phase is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

The specific criteria for the classification of expenditures on the research phase and expenditures on the development phase are as follows:

As for biosimilar products, expenditures on the research phase are all the expenditures incurred before the commencement of Phase I clinical trial for the medicines. Expenditures on the development phase are all the expenditures incurred after the commencement of Phase I clinical trial for the medicines. Commencement of Phase I clinical trial is determined based on the approval by authorities.

As for bio-innovative products, expenditures on the research phase are all the expenditures incurred before the commencement of Phase III clinical trial for the medicines. Expenditures on the development phase are all the expenditures incurred after the commencement of Phase III clinical trial for the medicines.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful lives and lease terms of the assets as follows:

Leasehold land	50 years
Plant and machinery	5 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

LEASES *(CONTINUED)*

GROUP AS A LESSEE *(CONTINUED)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include 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. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in the assessment to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those 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 leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

FINANCIAL ASSETS

INITIAL RECOGNITION AND MEASUREMENT

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial assets *(continued)*

Initial recognition and measurement *(continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 1 year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component, or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payable, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

(a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(continued)*

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of biopharmaceutical products

Revenue from the sale of biopharmaceutical products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the biopharmaceutical products.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

REVENUE RECOGNITION *(CONTINUED)*

LICENSE

The Group grant commercialisation licenses (the "License") of certain products. The License are either sold separately or bundled together with research and development service to one customer.

Contracts for bundled License and research and development service are comprised of two performance obligations because the promises to transfer the License and provide research and development service are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of the License and research and development services.

The Group would undertake activities, such as being the exclusive supplier of the certain biopharmaceutical products related to the License, which significantly affect the License. Thus, the customers get a right to access the License and the revenue of License is recognized overtime during the expected commercialisation period after the Group obtain the commercialisation authorisation from the local authorities. The consideration for License comprises fixed element and variable elements. The variable elements are included in the transaction price when the Group can conclude that it is highly probable there will not be a significant reversal of revenue.

RESEARCH AND DEVELOPMENT SERVICE

The Group provides research and development services that are either sold separately or bundled together with the License to a customer.

Contracts for bundled research and development service and License are comprised of two performance obligations because the promises to provide research and development service and transfer the License are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of the research and development services and License.

For the research and development service which the customers can't control the service or consume the benefit and have no obligation to pay until each service completed and accepted. The Group concluded that the research and development service can be identified as a performance obligation satisfied at a point in time. The stand-alone selling prices is recognised as revenue when the customers accept and can benefit from this service.

For research and development service which the customer simultaneously receives and consumes the benefits provided by the Group, the revenue from research and development services is recognised over time, using an input method to measure progress towards complete satisfaction of the service. The progress is determined on the basis of the cost expended relative to the total expected cost to complete the service.

REVENUE FROM OTHER SOURCES

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Share-based payments

The Group operates several share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by reference to the lasted market price of share transaction or determined by an external valuer, further details of which are given in note 30 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

SHARE-BASED PAYMENTS *(CONTINUED)*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms have not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they are a modification of the original award, as described in the previous paragraph.

OTHER EMPLOYEE BENEFITS

PENSION SCHEME

The employees are required to participate in a defined central pension scheme managed by the local municipal government of the areas in the PRC. The PRC companies are required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

ACCOMMODATION BENEFITS

According to the relevant PRC rules and regulations, the PRC companies now comprising the Group and their employees are each required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by the government agencies in the PRC. There is no further obligation on the part of the Group except for such contributions to the accommodation fund. Contributions to an accommodation fund administrated by government agencies are charged to the consolidated statement of profit or loss as and when they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(a) Identifying performance obligations under contracts which have bundled sales of License and research and development services

The Group have certain contract which provides License together with research and development service to a customer. The Group determined that both the License and research and development services are capable of being distinct. The Group also determined that the promises to transfer the License and provide research and development services are distinct within the context of the contract. The Group is not providing a significant integration service because the presence of the License and research and development services together in the contract does not result in any additional or combined functionality and neither the License nor the research and development modifies or customises the other. In addition, the License and research and development services are not highly interdependent or highly interrelated, because the Group would be able to transfer the License even if the customer declined research and development service and would be able to provide research and development service if other distributors have such request. Consequently, the Group has allocated a portion of the transaction price to the License and the research and development services based on relative standalone selling prices.

(b) Determining the timing of satisfaction of License

The Group concluded that for the License which would be significantly affected by the activities undertaken by the Group, the customers get a right to access the License, the revenue is recognised overtime during the expected commercialization period of the related biopharmaceutical products.

The Group determined that the output method is the best method in measuring the progress of the License because there is a relationship between the Group's output (i.e., sales volume of biopharmaceutical products) and the transfer of License to the customers. The Group recognises revenue on the basis of the output happened relative to the total expected output during the expected commercialization period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

JUDGEMENTS *(CONTINUED)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(CONTINUED)*

(c) Determining the timing of satisfaction of research and development services.

The Group concluded that in some contracts, the revenue for research and development services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the research and development services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the input method is the best method in measuring the progress of the research and development services because there is a direct relationship between the Group's effort (i.e., actual cost incurred) and the transfer of services to the customer. The Group recognises revenue on the basis of the cost expended relative to the total expected cost to complete the services.

The Group also concluded that in some other contracts, the revenue for research and development services is to be recognized at a point of the time, because the customers can't control the service or consume the benefit and have no obligation to pay until each service completed and accepted.

(d) Determining the method to estimate variable consideration

Certain contracts include variable consideration based on the future events. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

Given that the payments of variable consideration are not within the control of the Group, such as regulatory approvals, relevant consideration is not considered certain translation price until relevant approvals are obtained. The Group determines that the most likely amount method is the appropriate method to estimate the variable consideration. When it is highly probable that the income corresponding to the relevant consideration will not be significantly reversed, the uncertainty of the variable consideration is eliminated and the variable consideration will be included in the transaction price. At the end of each reporting period, the Group will re-evaluate the probability of the payment of the variable consideration, and if necessary, adjust the estimation of the overall transaction price.

4. OPERATING SEGMENT INFORMATION

The Group is engaged in biopharmaceutical R&D, biopharmaceutical service and biopharmaceutical production, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no analysis by operating segment is presented.

Geographical information

(a) Revenue from external customers

	2019 RMB'000	2018 RMB'000
Mainland China	**88,312**	3,724
Overseas	**2,617**	3,697
	90,929	7,421

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

(b) Non-current assets

	2019 RMB'000	2018 RMB'000
Mainland China	**3,223,215**	1,990,671
Overseas	**15,903**	17,134
	3,239,118	2,007,805

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue of approximately RMB75,418,000 (2018: Nil) was derived from sales of biopharmaceutical products to a single customer.

5. REVENUE

An analysis of the Group's revenue from contracts with customers is as follows:

Revenue from contracts with customers

(a) Revenue information

	2019 RMB'000	2018 RMB'000
Type of goods or service		
Sales of biopharmaceutical products	**78,951**	–
License revenue	**8,578**	–
Research and development services	**3,400**	7,421
Total revenue from contracts with customers	**90,929**	7,421
Timing of revenue recognition		
Transferred at a point in time	**79,734**	7,421
Transferred over time	**11,195**	–
Total revenue from contracts with customers	**90,929**	7,421

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
License revenue	**8,578**	–

(b) Performance obligations

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

Sale of biopharmaceutical products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 90 days from the delivery.

License revenue

The performance obligation satisfied overtime during the expected commercialisation period after the Group obtain the commercialisation authorisation from the local authorities. Payment in advance is normally required.

5. REVENUE *(CONTINUED)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(CONTINUED)*

(b) PERFORMANCE OBLIGATIONS *(CONTINUED)*

Research and development services

Based on the terms of the contract, the performance obligation is satisfied over time as services are rendered or at a point in time as services are completed and accepted. Payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019 RMB'000	2018 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**32,039**	9,108
After one year	**652,276**	335,347
	684,315	344,455

The remaining performance obligations expected to be recognised after one year mainly relate to the transaction prices allocated to License and research and development service. The revenue of License is expected to be recognised during the future estimated commercialized period. The revenue of research and development is expected to be recognised during the period of rendering of service. The amounts disclosed above do not include variable consideration.

6. OTHER INCOME AND GAINS

	Note	2019 RMB'000	2018 RMB'000
Interest income		**16,062**	5,208
Government grants	(a)	**7,448**	15,886
Exchange gains		**–**	8,927
Reclassification adjustments for a foreign operation disposed of during the year		**1,024**	–
Others		**140**	287
		24,674	30,308

Note:

(a) Various government grants have been received from local government authorities for setting up research and development activities. The government grants without fulfilled conditions or contingencies have been recorded in other income and gains once they were received. Other government grants received that didn't met the fulfilled conditions were included in deferred income.

7. LOSS BEFORE TAX

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

	2019 RMB'000	2018 RMB'000
Cost of sales	**71,821**	5,398
Depreciation of property, plant and equipment*	**38,858**	22,606
Depreciation of right-of-use assets*	**27,704**	19,700
Amortisation of intangible assets*	**15,937**	662
Research and development expenses:		
Current year expenditure	**607,827**	365,382
Lease payments under short-term leases and leases of low-value assets	**249**	124
IPO listing expenses	**18,443**	15,897
Auditor's remuneration	**1,750**	250
Employee benefit expense (including directors' and chief executive's remuneration (note 9)):		
Wages and salaries	**206,754**	101,207
Staff welfare expenses	**39,159**	25,195
Share-based payment expense*	**97,117**	71,686
Foreign exchange loss/(gain)	**32,283**	(8,927)
Impairment losses on financial assets	**5,300**	–
Bank interest income	**(16,062)**	(5,208)
Loss on disposal of items of property plants and equipment	**11**	111

* The depreciation of property, plant and equipment, the depreciation of right-of-use assets, the amortisation of intangible assets and the share-based payment expense for the year are included in "Cost of sales", "Research and development expenses", "Selling and distribution expenses" and "Administrative expenses" in the consolidated statement of profit or loss.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest expense on bank and other borrowings	**36,208**	7,518
Interest expense on lease liabilities	**12,099**	12,261
Interest expense on entrusted loans from a related party	**–**	38,117
	48,307	57,896

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 RMB'000	2018 RMB'000
Fees	300	–
Other emoluments:		
Wages and salaries	3,149	3,948
Performance related bonuses	1,551	1,833
Staff welfare expenses	178	164
Share-based payment expenses	3,511	2,633
	8,689	8,578

The remuneration of each of the directors and supervisors for the year ended 31 December 2019 is set out below:

	Fees RMB'000	Wages and salaries RMB'000	Performance related bonus RMB'000	Staff welfare expenses RMB'000	Share award scheme RMB'000
Directors:					
Mr Qiyu Chen	–	–	–	–	–
Dr Lik Yuen Chan[1]	75	–	–	–	–
Mr Yifang Wu	–	–	–	–	–
Mr Jiemin Fu	–	–	–	–	–
Dr Aimin Hui	–	–	–	–	–
Ms Xiaohui Guan	–	–	–	–	–
Mr Tak Young So[1]	75	–	–	–	–
Dr Ruilin Song[1]	75	–	–	–	–
Dr Scott Shi-Kau Liu[2]	–	2,507	1,432	–	–
Dr Guoping Zhao[1]	75	–	–	–	–
	300	2,507	1,432	–	–
Supervisors:					
Mr Deli Kong	–	–	–	–	–
Mr Yong Zhou	–	–	–	–	–
Ms Jingyi Wang	–	642	119	178	3,511
	–	642	119	178	3,511
	300	3,149	1,551	178	3,511

9. DIRECTORS' AND SUPERVISORS' REMUNERATION *(CONTINUED)*

The remuneration of each of the directors and supervisors for the year ended 31 December 2018 is set out below:

	Fees RMB'000	Wages and salaries RMB'000	Performance related bonuses RMB'000	Staff welfare expenses RMB'000	Share award scheme RMB'000
Directors:					
Mr Qiyu Chen	–	–	–	–	–
Mr Yifang Wu	–	–	–	–	–
Mr Jiemin Fu	–	–	–	–	–
Dr Aimin Hui	–	–	–	–	–
Ms Xiaohui Guan	–	–	–	–	–
Dr Scott Shi-Kau Liu[2]	–	2,253	1,401	–	–
Dr Wei-Dong Jiang[3]	–	1,213	316	–	–
	–	3,466	1,717	–	–
Supervisors:					
Mr Deli Kong	–	–	–	–	–
Mr Yong Zhou	–	–	–	–	–
Ms Jingyi Wang	–	482	116	164	2,633
	–	482	116	164	2,633
	–	3,948	1,833	164	2,633

Notes:

(1) Dr Lik Yuen Chan, Mr Tak Young So, Dr Ruilin Song and Dr Guoping Zhao were appointed as directors of the Company in September 2019.

(2) Dr Scott Shi-Kau Liu is also the chief executive of the Company, and his remuneration disclosed above included the remuneration for the services rendered by him as the chief executive.

(3) Dr Wei-Dong Jiang retired as a director of the Company in August 2018.

There is no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration for the year of the five highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Wages and salaries	**6,179**	5,959
Performance related bonuses	**1,226**	1,209
Staff welfare expenses	**178**	164
Share-based payment expense	**58,334**	43,750
	65,917	51,082

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2019	2018
Nil to RMB1,000,000	**–**	–
RMB1,000,000 to RMB5,000,000	**–**	1
RMB5,000,000 to RMB10,000,000	**3**	2
RMB10,000,000 to RMB20,000,000	**–**	2
RMB20,000,000 to RMB30,000,000	**2**	–
RMB30,000,000 to RMB40,000,000	**–**	–
RMB40,000,000 to RMB50,000,000	**–**	–
	5	5

11. INCOME TAX

The provision for Mainland China current income tax is based on the statutory rate of 25% (2018: 25%) of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

Income taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. The provision for current income tax of Taiwan Henlius, a subsidiary of the Group incorporated in Taiwan, is based on the statutory rate of 19% (2018: 18%) for the year ended 31 December 2019.

	2019 RMB'000	2018 RMB'000
Current – Mainland China	**655**	3,380
Current – Elsewhere	**–**	1,189
Total tax charged for the year	**655**	4,569

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Year ended 31 December 2019

	China RMB'000	Other countries RMB'000	Total RMB'000
Loss before tax	**(785,976)**	**(88,834)**	**(874,810)**
Tax at the statutory tax rate	**(195,484)**	**(21,233)**	**(216,717)**
Withholding income tax of a subsidiary not deductible for tax	**655**	**–**	**655**
Expenses not deductible for tax	**3,133**	**33**	**3,166**
Deductible temporary difference and tax losses not recognised	**192,351**	**21,200**	**213,551**
Tax charge at the effective rate	**655**	**–**	**655**

11. INCOME TAX *(CONTINUED)*

Year ended 31 December 2018

	China RMB'000	Other countries RMB'000	Total RMB'000
Loss before tax	(471,964)	(28,256)	(500,220)
Tax at the statutory tax rate	(113,155)	(6,736)	(119,891)
Withholding income tax of a subsidiary not deductible for tax	3,380	1,189	4,569
Expenses not deductible for tax	2,167	–	2,167
Additional deductible allowance for research and development expenses	(14,011)	–	(14,011)
Deductible temporary difference and tax losses not recognised	124,999	6,736	131,735
Tax charge at the effective rate	3,380	1,189	4,569

12. DIVIDENDS

No dividends have been paid or declared by the Company during the reporting period.

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

The calculation of the basic loss per share amounts is based on the loss attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 497,157,841 (2018: 426,598,066) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of conversion of all dilutive potential ordinary shares into ordinary shares.

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

(CONTINUED)

The calculations of the basic and diluted earnings per share are based on:

	2019 RMB'000	2018 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(875,465)**	(493,686)

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share	**497,157,841**	426,598,066
Effect of dilution – weighted average number of ordinary shares:		
Restricted shares under share award scheme	**–**	–
	497,157,841	426,598,066

Because the diluted loss per share amount is decreased when taking restricted shares issued under 2018 share award scheme into account, which had been disclosed in note 30 to the financial statements, the restricted shares had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Electronic equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019							
At 31 December 2018 and at 1 January 2019:							
Cost	279,041	1,324	952	30,520	108,662	1,961	422,460
Accumulated depreciation	(64,999)	(614)	(486)	(6,913)	(25,469)	–	(98,481)
Net carrying amount	214,042	710	466	23,607	83,193	1,961	323,979
At 1 January 2019, net of accumulated depreciation	214,042	710	466	23,607	83,193	1,961	323,979
Additions	146,439	–	–	15,990	32,686	36,143	231,258
Disposals	(3)	–	–	(8)	–	–	(11)
Depreciation provided during the year	(34,340)	(202)	(134)	(6,287)	(14,272)	–	(55,235)
Transfers	–	–	–	–	167	(167)	–
Exchange rate fluctuation	229	–	1	436	56	–	722
At 31 December 2019, net of accumulated depreciation	326,367	508	333	33,738	101,830	37,937	500,713
At 31 December 2019:							
Cost	425,803	1,324	958	46,910	141,571	37,937	654,503
Accumulated depreciation	(99,436)	(816)	(625)	(13,172)	(39,741)	–	(153,790)
Net carrying amount	326,367	508	333	33,738	101,830	37,937	500,713

14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Plant and machinery RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Electronic equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018							
At 31 December 2017 and at 1 January 2018:							
Cost	236,889	888	876	16,278	93,138	2,468	350,537
Accumulated depreciation	(39,227)	(447)	(336)	(3,708)	(16,506)	–	(60,224)
Net carrying amount	197,662	441	540	12,570	76,632	2,468	290,313
At 1 January 2018, net of accumulated depreciation	197,662	441	540	12,570	76,632	2,468	290,313
Additions	41,980	436	73	13,855	15,270	1,787	73,401
Disposals	–	–	–	(97)	(14)	–	(111)
Depreciation provided during the year	(25,731)	(167)	(148)	(3,324)	(11,015)	–	(40,385)
Transfers	8	–	–	–	2,286	(2,294)	–
Exchange rate fluctuation	123	–	1	603	34	–	761
At 31 December 2018, net of accumulated depreciation	214,042	710	466	23,607	83,193	1,961	323,979
At 31 December 2018:							
Cost	279,041	1,324	952	30,520	108,662	1,961	422,460
Accumulated depreciation	(64,999)	(614)	(486)	(6,913)	(25,469)	–	(98,481)
Net carrying amount	214,042	710	466	23,607	83,193	1,961	323,979

At 31 December 2019, certain of the Group's property, plant and equipment with a net carrying amount of RMB117,707,000 (2018: RMB132,824,000) were pledged to secure banking borrowings. For details, please refer to note 25.

15. INTANGIBLE ASSETS

	Non-patent technologies RMB'000	Office software RMB'000	Deferred development costs RMB'000	Medicine license RMB'000	Total RMB'000
31 December 2019					
Cost at 1 January 2019, net of accumulated amortisation	**48,921**	**6,070**	**1,327,581**	**–**	**1,382,572**
Additions	**–**	**9,899**	**798,937**	**–**	**808,836**
Transfers	**–**	**–**	**(350,858)**	**350,858**	**–**
Amortization during the year	**–**	**(1,587)**	**–**	**(14,532)**	**(16,119)**
Exchange rate fluctuation	**–**	**(140)**	**–**	**–**	**(140)**
At 31 December 2019:	**48,921**	**14,242**	**1,775,660**	**336,326**	**2,175,149**
At 31 December 2019					
Cost	**48,921**	**17,166**	**1,775,660**	**350,858**	**2,192,605**
Accumulated amortization	**–**	**(2,924)**	**–**	**(14,532)**	**(17,456)**
Net carrying amount	**48,921**	**14,242**	**1,775,660**	**336,326**	**2,175,149**
31 December 2018					
Cost at 1 January 2018, net of accumulated amortisation	48,921	2,689	720,480	–	772,090
Additions	–	4,288	607,101	–	611,389
Amortization during the year	–	(919)	–	–	(919)
Exchange rate fluctuation	–	12	–	–	12
At 31 December 2018:	48,921	6,070	1,327,581	–	1,382,572
At 31 December 2018					
Cost	48,921	7,407	1,327,581	–	1,383,909
Accumulated amortization	–	(1,337)	–	–	(1,337)
Net carrying amount	48,921	6,070	1,327,581	–	1,382,572

15. INTANGIBLE ASSETS *(CONTINUED)*

The intangible assets of the Group with indefinite life are non-patent technologies, which have indefinite life as the extension cost is low and these assets can be used indefinitely. In addition, the intangible assets of the Group also include the deferred development costs which are the expenditure incurred in the development phrase of each project. Management tests the non-patent technologies with indefinite useful life and the deferred development costs which were not yet available for use for impairment annually by comparing their carrying amount with their recoverable amounts.

Non-patent technologies

The recoverable amounts of the non-patent technologies were determined based on the fair value less costs of disposal, and the fair values of non-patent technologies were determined using the relief from royalty method taking into account the nature of the asset, using cash flow projections based on financial budgets covering a 5-year period, and the growth rate used to extrapolate the cash flows beyond the 5-year period is 3% (2018: 3%), which is close to the long-term inflation rate. The fair value measurement hierarchy of the non-patent technologies was level 3. Other key assumptions to the valuation model used:

	31 December 2019	31 December 2018
Discount rates	**17.03%**	17.51%
Royalty rates	**5.00%**	5.00%

Discount rates – The discount rates used are before tax and reflect specific risks relating to non-patent technologies.

Royalty rates – The basis used to determine the value assigned to royalty rates is the royalty rate of market where non-patent technologies is located, taking into account the profitability of the Group and other qualitative factors.

Deferred development costs

The recoverable amounts of the deferred development costs were determined based on the fair value less costs of disposal, and the fair value of the deferred development costs was determined using the multi-period excess earnings method taking into account the nature of the assets, using cash flow projections based on financial budgets covering a 5-year period, and the growth rate used to extrapolate the cash flows for the subsequent 15 years is 3%, which is close to long-term inflation rate. The fair value measurement hierarchy of the deferred development costs was level 3. Other key assumptions to the valuation model used are listed as follows:

	31 December 2019	31 December 2018
Discount rates	**17.75%-18.55%**	17.81%-17.92%
Contributory asset charges	**2.03%-2.42%**	1.67%-2.12%

15. INTANGIBLE ASSETS *(CONTINUED)*

DEFERRED DEVELOPMENT COSTS *(CONTINUED)*

Discount rates – The discount rates used are before tax and reflect specific risks relating to deferred development costs.

Budgeted gross margins – The basis used to determine the value assigned to budgeted gross margins is the market gross margins where the biopharmaceuticals are located, taking into account the expected efficiency improvements and expected market development.

Contributory asset charges – The basis used to determine the value assigned to contributory asset charges is the return of revenue ("ROR") of the contributory assets, the ROR was determined according to the borrowing rate and cost of equity, and the contributory assets mainly included working capital, tangible assets and assembled workforce.

As at 31 December 2019, the recoverable amount of non-patent technologies exceeds the carrying amount by RMB1,005,734,000 (2018: RMB673,382,000), and the recoverable amount of deferred development costs exceeds the carrying amount by RMB3,850,088,000 (2018: RMB6,251,486,000).

SENSITIVITY TO CHANGES IN KEY ASSUMPTIONS

The following tables set forth the impact of reasonably possible changes in each of the key assumptions on, with all other variables held constant, impairment testing of non-patent technologies and deferred development costs of the Group as of the dates indicated.

	Recoverable amount of non-patent technologies exceeds its carrying amount decrease by	
	31 December 2019	31 December 2018
Possible changes of key assumptions		
Pre-tax discount rates increased by 1%	**75,475**	57,219
Royalty rate decreased by 1%	**212,353**	146,426
Long-term growth rate decreased by 1%	**49,224**	41,099

	Recoverable amount of the deferred development costs exceeds their carrying amount decrease by	
	31 December 2019	31 December 2018
Possible changes of key assumptions		
Pre-tax discount rates increased by 1%	**483,036**	550,357
Contributory asset charges increased by 1%	**227,510**	197,743
Growth rate of the subsequent years after the budget period decreased by 1%	**115,753**	349,674

With regard to the assessment of fair value, management believes that no reasonably possible changes in any of the key assumptions would cause the recoverable amounts of non-patent technologies and deferred development costs to be materially lower than their carrying amounts.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and machinery and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and machinery generally have lease terms between 2 and 10 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

31 December 2019

	Prepaid land lease payments RMB'000	Plant and machinery RMB'000	Total RMB'000
As at 1 January 2019	–	170,822	170,822
Additions	211,654	18,162	229,816
Depreciation charge	(2,118)	(41,845)	(43,963)
Exchange rate fluctuation	–	3	3
As at 31 December 2019	209,536	147,142	356,678

31 December 2018

	Prepaid land lease payments RMB'000	Plant and machinery RMB'000	Total RMB'000
As at 1 January 2018	–	168,661	168,661
Additions	–	36,413	36,413
Depreciation charge	–	(34,498)	(34,498)
Exchange rate fluctuation	–	246	246
As at 31 December 2018	–	170,822	170,822

16. LEASES *(CONTINUED)*

THE GROUP AS A LESSEE *(CONTINUED)*

(b) LEASE LIABILITIES

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the years are as follows:

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	**191,942**	183,428
New leases	**18,162**	36,413
Accretion of interest recognised during the year	**12,099**	12,261
Exchange rate fluctuation	**9**	267
Payments	**(43,950)**	(40,427)
Carrying amount at 31 December	**178,262**	191,942
Analysed into:		
Current portion	**37,544**	27,315
Non-current portion	**140,718**	164,627

The maturity analysis of lease liabilities is disclosed in note 25 to the financial statements.

(c) THE AMOUNTS RECOGNISED IN PROFIT OR LOSS IN RELATION TO LEASES ARE AS FOLLOWS:

	2019 RMB'000	2018 RMB'000
Interest on lease liabilities	**12,099**	12,261
Depreciation charge of right-of-use assets	**43,963**	34,498
Expense relating to short-term leases and leases of low-value assets	**249**	124
Total amount recognised in profit or loss	**56,311**	46,883

(d) THE TOTAL CASH OUTFLOW FOR LEASES IS DISCLOSED IN NOTE 31 TO THE FINANCIAL STATEMENTS.

17. OTHER NON-CURRENT ASSETS

	2019 RMB'000	2018 RMB'000
Prepayment for long-term assets	**206,578**	130,432

18. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**102,299**	25,203
Work in progress	**27,561**	–
Finished goods	**11**	–
	129,871	25,203

19. TRADE AND BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**35,130**	5,821
Bills receivables	**–**	1,000
Impairment	**(5,300)**	–
	29,830	6,821

The Group's trading terms with its customers are mainly on credit. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade and bills receivables are non-interest-bearing.

At 31 December 2019, the pledged trade receivables of the Group amounted to RMB5,305,000 (2018: RMB5,821,000). For details, please refer to note 25.

19. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

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

	2019 RMB'000	2018 RMB'000
Within 3 months	**29,830**	1,521
3 to 6 months	**–**	–
6 to 9 months	**–**	–
9 to 12 months	**–**	–
1 to 2 years	**–**	5,300
	29,830	6,821

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of year	**–**	–
Impairment losses	**5,300**	–
At the end of year	**5,300**	–

The increase in the loss allowance of RMB5,300,000 was due to certain trade receivable from one customer generated from the license of intellectual property was past due for over 2 years.

For the trade receivables generated from the sales of pharmaceutical products, to which the customers have similar loss patterns, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due, and the calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year.

The expected loss rate for the trade receivables generated from the sales of pharmaceutical products not past due is assessed to be 0.5%, while the expected loss rate for those past due is assessed to be 10% to 100% based on the time of past due. As at 31 December 2019, all the trade receivables generated from the sales of pharmaceutical products were not past due, and the Directors are of the opinion that the ECL in respect of these balances is sufficient.

For the trade receivables which are not generated from the sales of pharmaceutical products, to which the customers do not have similar loss patterns (i.e., by geographical region, sales type, customer type), an impairment analysis is performed at each reporting date separately for each customer.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Prepayments	**45,506**	26,292
VAT to be deducted	**118,567**	51,644
Income tax prepaid	**7,026**	–
Deposits and other receivables	**25,248**	12,011
	196,347	89,947

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there is no recent history of default.

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. To measure the expected credit losses, the balances are grouped based on shared credit risk characteristics and the days past due. At the end of reporting period, there were no deposits and other receivables past due, and the expected credit loss rate for deposits and other receivables is assessed to be 0.1%. The expected loss rate is reviewed, and adjusted if appropriate, at the end of each reporting period. The expected credit loss rate remained the same during the reporting period as the nature and customers of the deposits and other receivables of the Group remained stable and there were no significant fluctuations on the historical credit loss incurred. In addition, there is no significant change in the economic indicators based on the assessment of the forward-looking information. Based on evaluations on the expected credit loss rate and the gross carrying amount of the balances, the Directors are of the opinion that the ECL in respect of these balances is immaterial.

As at 31 December 2019, the pledged other receivables of the Group amounted to RMB2,846,000 (2018: Nil). For details, please refer to note 25.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019 RMB'000	2018 RMB'000
Cash on hand	**3**	12
Cash at bank, unrestricted	**2,304,648**	965,002
	2,304,651	965,014
Less: Pledged time deposits:		
Pledged for bills payable	**(3,559)**	(6,024)
Cash and cash equivalents	**2,301,092**	958,990

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(CONTINUED)*

The Group's cash and bank balances as at the end of each reporting period are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
Denominated in RMB	**369,582**	25,313
Denominated in USD	**941,035**	938,293
Denominated in EUR	**1,531**	–
Denominated in Hong Kong dollar	**988,236**	–
Denominated in NTD	**4,267**	1,408
	2,304,651	965,014

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE AND BILLS PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**236,599**	79,285
Bills payables	**3,559**	6,024
	240,158	85,309

Trade and bills payables are non-interest-bearing and are normally settled on terms of three to six months.

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

	2019 RMB'000	2018 RMB'000
Within 1 year	**239,957**	85,299
1 to 2 years	**201**	10
	240,158	85,309

23. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Repurchase obligation of restricted shares under share award scheme (note 30)	**209,528**	209,528
Other payables	**63,614**	12,064
Payroll and welfare payable	**80,188**	38,648
Accruals	**49,680**	31,852
Interest payable	**3,920**	2,824
Other taxes payables	**2,269**	1,432
	409,199	296,348

24. CONTRACT LIABILITIES

Details of contract liabilities as at 31 December 2019 and 31 December 2018 are as follows:

	2019 RMB'000	2018 RMB'000
Short-term advances received from customers		
Advance from customers	**31**	–
Transfer of License	**32,008**	9,108
Long-term advances received from customers		
Transfer of License	**572,515**	335,347
	604,554	344,455

Contract liabilities include long-term and short-term advances received to grant customers License of the Group's certain biopharmaceutical products after the Group obtain the commercialisation authorisation from the local authorities. The increase in contract liabilities in 2019 was mainly due to the increase in long-term advances received from customers in relation to the transfer of the License.

Since the periods between the transfer of the License and the customers' advance payments are expected to be more than one year, some of the contracts with customers were considered to contain a significant financing component. The Group use the weighted average bank and other borrowings to adjust the effect of time value of the money over the advance from customers. During the year of 2019, the significant financing component amounting to RMB22,713,000 (2018: RMB24,599,000) was recognised as contract liabilities and the interest expenses have been capitalised as deferred development costs.

24. CONTRACT LIABILITIES *(CONTINUED)*

The movements in contract liabilities of the Group and Company during the reporting period are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	344,455	152,588
Received during the year	248,581	167,268
Recognised in revenue	(11,195)	–
Recognised from the significant financing component	22,713	24,599
At the end of the year	604,554	344,455

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			31 December 2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities (note 16)	4.35 – 6.87	2020	37,544	4.35 – 6.87	2019	27,315
Bank loans – unsecured	4.35 – 5.44	2020	172,266	4.35 – 5.44	2019	70,000
Current portion of long term bank loans – secured (Note (a))	6.03 – 7.50	2020	59,127	6.03 – 7.50	2019	38,214
Current portion of long term other loans – secured (Note (b))	0.98	2020	2,675	0.98	2019	2,055
Current portion of long term other loans – unsecured	0.98	2020	6,629	0.98	2019	5,094
			278,241			142,678
Non-current						
Lease liabilities (note 16)	4.35 – 6.87	2021 – 2027	140,718	4.35 – 6.87	2020 – 2027	164,627
Bank loans – secured (Note (a))	7.50	2021 – 2022	40,430	6.00 – 7.50	2020 – 2021	211,778
Bank loans – unsecured	6.20	2021	150,000	–	–	–
Other loans – secured (Note (b))	–	–	–	0.98	2020	2,569
Other loans – unsecured	–	–	–	0.98	2020	6,366
			331,148			385,340
			609,389			528,018

25. INTEREST-BEARING BANK AND OTHER BORROWINGS *(CONTINUED)*

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans and other loans repayable:		
Within one year	**240,697**	115,363
In the second year	**174,133**	88,804
In the third to fifth years, inclusive	**16,297**	131,909
	431,127	336,076
Lease liabilities:		
Within one year	**37,544**	27,315
In the second year	**32,285**	32,630
In the third to fifth years, inclusive	**79,856**	72,938
Beyond five years	**28,577**	59,059
	178,262	191,942

Notes:

(a) The bank loans amounting to RMB56,687,000 were secured by all the trade receivables and other receivables owned by the Company from the date of the bank loan agreement to the date on which the bank loan were fully and completely repaid. As at 31 December 2019, the amount of pledged trade receivables and other receivables was RMB8,151,000 (2018: RMB5,821,000).

The bank loans amounting to RMB42,870,000 are secured by the mortgage of the Group's equipment owned by the Group. As at 31 December 2019, the mortgaged equipment had a net carrying amount of approximately RMB114,241,000 (2018: RMB128,388,000).

(b) The other loans amounting to RMB2,675,000 are secured by the mortgage of the Group's equipment which had a net carrying amount of approximately RMB3,466,000 (2018: RMB4,436,000).

26. DEFERRED TAX

Deferred tax assets have not been recognised in respect of the following items:

	2019 RMB'000	2018 RMB'000
Tax losses	**1,244,626**	839,528
Deductible temporary difference	**778,585**	435,092
	2,023,211	1,274,620

The unused tax losses expire as follows:

	2019 RMB'000	2018 RMB'000
Less than five years	**847,041**	291,030
Beyond five years	**312,568**	517,484
Without limitation	**85,017**	31,014
	1,244,626	839,528

Deferred tax assets have not been recognised in respect of the above items as the Company and its subsidiaries have been loss-making for some time, and it is not considered probable that taxable profits will be available against which the above items can be utilized.

27. DEFERRED INCOME

	2019 RMB'000	2018 RMB'000
Government grants	**36,102**	38,111

Various government grants have been received from local government authorities for setting up research and development activities. Some government grants received that didn't met the fulfilled conditions were included in deferred income. These grants are recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they are intended to compensate.

The movements in government grants of the Group during the reporting period are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**38,111**	33,702
Received during the year	**1,583**	18,321
Recognised as income during the year	**(3,592)**	(13,512)
Others	**–**	(400)
At the end of the year	**36,102**	38,111

28. SHARE CAPITAL

SHARES

	2019 RMB'000	2018 RMB'000
Issue and fully paid:		
ordinary shares	**543,495**	474,433

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share Capital RMB'000
At 1 January 2018	366,286,644	366,287
Capital contributions from shareholders	85,396,409	85,396
Equity-settled share-based payments (note 30)	22,750,000	22,750
At 31 December 2018 and 1 January 2019	474,433,053	474,433
Issue of shares (Note)	69,061,800	69,062
At 31 December 2019	543,494,853	543,495

Note: In connection with the Company's Global Offering on the Stock Exchange, on 25 September 2019, 64,695,000 ordinary shares of RMB1.00 each were issued at a subscription price of HK$49.6 per share, and on 22 October 2019, 4,366,400 ordinary shares of RMB1.00 each were issued by partial exercise of the over-allotment option at a price of HK$49.6 per share, after deducting expenses related to issue of shares, the share capital and share premium of the Company increased by RMB69,062,000 and RMB2,880,691,000, respectively.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statements of changes in equity on page 70 of the financial statements.

30. SHARE AWARD SCHEME

The Company adopted a share award scheme for the purpose of motivating the directors and key personnel of the Group to promote success of the business. The share award scheme was approved by the board of Directors and became effective on 14 April 2018.

On 14 April 2018 (the "Date of Grant"), pursuant to the share award scheme, 22,750,000 number of ordinary shares of the Company were granted to 55 eligible participants of the share award scheme at an exercise price of RMB9.21 per share. All the 22,750,000 number of ordinary shares held by the eligible participants shall be unlocked (or repurchased and cancelled by the Company) in three tranches upon the expiry of each lock-up period. On 30 September 2018, the Company received the payment of the subscription price of RMB209,528,000 from the eligible participants, and the Company's share capital and share premium were then increased by RMB22,750,000 and RMB186,778,000, respectively. Meanwhile, the Company has recognised RMB209,528,000 (note 23) as other payables and accruals and other reserve due to the restricted share repurchase obligation of the Company till the end of the unlock period. The eligible participants include the members of senior management of the Company and core technical personnel of the Company and its subsidiaries. Details of the unlock date are summarised as follows:

Type of eligible participants	% of conditional shares	Unlock date	% of unlocked conditional shares
1	100%	30 April 2020	60%
		30 April 2021	20%
		30 April 2022	20%
2	100%	30 April 2020	35%
		30 April 2021	30%
		30 April 2022	35%
3	100%	30 April 2020	20%
		30 April 2021	25%
		30 April 2022	55%

As for restricted shares, the conditions for releasing the restrictions comprised two parts, namely the Company achieving certain milestones in respect of its products and the participants passing annual performance review. The percentage of shares in respect of which the conditions may be released depends on the achievement of those conditions. In relation to the shares in respect of which the restrictions have been released, such shares cannot be transferred within one year after the releasing of the restrictions.

All of the eligible participants have accepted the granted shares by signing off the offer letters. The share award scheme shall be valid from the Date of Grant of the shares to the date on which all the restricted shares granted have been unlocked or otherwise repurchased and cancelled.

The aggregate fair value of the shares granted amounted to approximately RMB516,653,000, and the fair value is determined by an external valuer using the discounted cash flow model taking into account the terms and conditions upon which the restricted shares were granted. The Group has recognised expenses of RMB93,458,000, deferred development costs of RMB26,517,000, cost of sales of RMB3,659,000 and property, plant and equipment-construction in progress of RMB100,000 for the year ended 2019.

30. SHARE AWARD SCHEME *(CONTINUED)*

The following table lists the inputs to the valuation model used:

	14 April 2018
Discount rates (%)	16.14%
Long-term growth rate (%)	3.00%

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Long-term growth rate – The basis used to determine the value assigned to the long-term growth rate is the forecast price indices during the budget year from where the biopharmaceuticals are located.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities:

	Bank and other loans RMB'000	Lease liabilities RMB'000	Interest payable included in other payables and accruals RMB'000
At 1 January 2018	575,000	183,428	2,108
Additions on lease liabilities	–	36,680	–
Changes from financing cash flows	(238,924)	(40,427)	(44,919)
Interest expense	–	12,261	45,635
At 31 December 2018	336,076	191,942	2,824
At 1 January 2019	**336,076**	**191,942**	**2,824**
Additions on lease liabilities	**–**	**18,171**	**–**
Changes from financing cash flows	**95,051**	**(43,950)**	**(35,112)**
Interest expense	**–**	**12,099**	**36,208**
At 31 December 2019	**431,127**	**178,262**	**3,920**

32. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bills payable and for the bank and other borrowings are included in notes 22 and 25, respectively, to the financial statements.

33. COMMITMENTS

The Group had the following capital commitments at the end of reporting period:

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
plant and machinery	**496,411**	95,561

34. CONTINGENT LIABILITIES

At the end of reporting period, the Group did not have any contingent liabilities.

35. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following companies are related parties that have material transactions or balances with the Group during the year.

(a) Name and relationships of the related parties

Name	Relationship with the Group
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* ("上海復星醫藥(集團)股份有限公司") ("Fosun Pharma")	Ultimate parent company
Henlius Biopharmaceuticals Inc. ("Cayman Henlius")	Shareholder of the Company
Scott Shi-Kau Liu	Shareholder of the Company
Wei-Dong Jiang	Shareholder of the Company
Shanghai Guoyou Biotechnology Partnership Enterprise (Limited Partnership)* ("上海果友生物技術合夥企業(有限合夥)") ("Shanghai Guoyou")	Shareholder of the Company
Shanghai Guohong Biotechnology Partnership Enterprise (Limited Partnership)* ("上海果宏生物技術合夥企業(有限合夥)") ("Shanghai Guohong")	Shareholder of the Company
Shanghai Clone High Technology Co., Ltd.* ("上海克隆生物高技術有限公司" "Clone High Tech")	Fellow subsidiary
Shanghai Kaimao Bio-Pharmaceutical Co., Ltd.* ("上海凱茂生物醫藥有限公司" "Kai Mao Bio-pharma")	Fellow subsidiary
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.* ("上海復星醫藥產業發展有限公司") ("Fosun Pharma Industrial Development")	Fellow subsidiary
Beijing Fosun Pharmaceutical Research Limited Company* ("北京復星醫藥科技開發有限公司" "Beijing Fosun")	Fellow subsidiary
Jiangsu Wanbang Pharmaceutical Limited Company* ("江蘇萬邦生化醫藥集團有限公司" "Jiangsu Wanbang")	Fellow subsidiary
Fosun Pharmaceutical Distribution (Jiangsu) Co., Ltd.* ("江蘇復星醫藥銷售有限公司" "Jiangsu Fosun")	Fellow subsidiary
Chongqing Fuchuang Pharmaceuticals Research Co., Ltd.* ("重慶復創醫藥研究有限公司" "Chongqing Funchuang")	Fellow subsidiary
Shanghai Xingyi Health Management Co., Ltd.* ("上海星益健康管理有限公司" "Shanghai Xingyi")	Fellow subsidiary
Sinopharm Group Fuzhou Co., Ltd.* ("國藥控股福州有限公司" "Sino Fuzhou")	Associate of the ultimate parent company
Sinopharm Holding Chongqing Taimin Pharmaceutical Co., Ltd.* ("國藥控股重慶泰民醫藥有限公司" "Sino Chongqing")*	Associate of the ultimate parent company
Sinopharm Group Co., Ltd.* ("國藥集團化學試劑有限公司" "Sinopharm")	Associate of the ultimate parent company

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) TRANSACTIONS WITH RELATED PARTIES

	Notes	2019 RMB'000	2018 RMB'000
Sell biopharmaceutical products to:			
Jiangsu Fosun	(i)	**75,418**	–
Sino Fuzhou	(i)	**653**	–
Sino Chongqing	(i)	**238**	–
		76,309	–
License to:			
Fosun Pharma Industrial Development	(ii)	**8,578**	–
Provide research and development service to:			
Fosun Pharma Industrial Development	(iii)	**236**	3,625
Kai Mao Bio-pharma	(iii)	**–**	20
Chongqing Funchuang	(iii)	**69**	69
		305	3,714
Purchases of services from:			
Beijing Fosun	(iv)	**302**	255
Shanghai Xingyi	(iv)	**–**	246
Kai Mao Bai-pharma	(iv)	**77**	–
Fosun Pharma Industrial Development	(iv)	**2,315**	–
		2,694	501
Purchases of materials from:			
Sinopharm	(iv)	**940**	647
Rental of properties from:			
Clone High Tech	(iv)	**3,723**	21,142
Kai Mao Bai-pharma	(iv)	**68**	106
		3,791	21,248
Interest expense on lease liabilities:			
Clone High Tech	(iv)	**10,007**	10,742

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

	Notes	2019 RMB'000	2018 RMB'000
Advance from License for:			
Fosun Pharma Industrial Development	(ii)	**87,943**	79,009
Jiangsu Wanbang	(ii)	**19,630**	26,934
		107,573	105,943
Interest expense of contract liabilities:			
Fosun Pharma Industrial Development	(ii)	**13,882**	20,926
Jiangsu Wanbang	(ii)	**8,831**	2,535
		22,713	23,461
Loans to:			
Fosun Pharma	(v)	**–**	366,000
Interest income:			
Fosun Pharma	(v)	**–**	2,005
Loans from:			
Fosun Pharma Industrial Development	(vi)	**–**	270,000
Interest expense:			
Fosun Pharma Industrial Development	(vi)	**–**	38,117

Notes:

(i) The sales of biopharmaceutical to related parties were carried out in accordance with the terms and conditions similar to those offered to unrelated customers in the ordinary course of business.

(ii) The Group granted exclusive License to related parties of the Group's certain biopharmaceutical products in the PRC after the Group obtains the market distribution authorisation of such products from government authorities. The Group received advance payments from the customers accordingly. The License revenue is recognised over the commercialize period. The transactions were carried out in accordance with the terms and conditions similar to those offered to unrelated customers in the ordinary course of business.

(iii) The research and development service provided to related parties was carried out in accordance with the terms and conditions similar to those offered to unrelated customers in the ordinary course of business.

(iv) The purchases and rental from related parties were charged in accordance with the terms and conditions offered by the related parties to their unrelated customers.

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

(v) During the year of 2018, the Group lent loans to Fosun Pharma through the cash pooling of Fosun Pharma, the Directors consider that the applicable interest rates are determined in accordance with the prevailing market lending rates, the transactions were carried out in accordance with the terms and conditions similar to other companies who lend loans to Fosun Pharma through the cash pooling. By the end of 2018, Fosun Pharma has already repaid these loans to the Group.

(vi) During the year of 2018, the Group obtained entrusted loans from Fosun Pharma Industrial Development. The loans' term is one year. The loans are jointly secured by the equity interests of the Company held by the Company's shareholders Cayman Henlius, Shi-Kau Scott Liu, Wei-Dong Jiang, Shanghai Guoyou and Shanghai Guohong. The Directors consider that the applicable interest rates are determined in accordance with the prevailing market borrowing rates. By the end of 2018, the Group has already fully paid these entrusted loans to Fosun Pharma Industrial Development.

(c) OUTSTANDING BALANCES WITH RELATED PARTIES

	Notes	2019 RMB'000	2018 RMB'000
Amounts due from related parties			
Trade and bill receivables			
Jiangsu Fosun	(i)	**28,295**	–
Sino Fuzhou	(i)	**212**	–
Fosun Pharma Industrial Development	(i)	**–**	250
Jiangsu Wanbang	(i)	**–**	1,000
Kai Mao Bio-pharma	(i)	**–**	21
		28,507	1,271
Prepayments deposits and other receivables			
Beijing Fosun	(ii)	**–**	320
Amounts due to related parties			
Trade payables			
Sinopharm	(iii)	**117**	32
Fosun Pharma Industrial Development	(iii)	**1,792**	–
		1,909	32
Other payables and accruals			
Shanghai Xingyi	(iv)	**–**	113
Kai Mao Bio-pharma	(iv)	**–**	36
		–	149

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) OUTSTANDING BALANCES WITH RELATED PARTIES *(CONTINUED)*

	Notes	2019 RMB'000	2018 RMB'000
Lease liabilities			
Clone High Tech	(v)	**141,795**	165,008
Contract liabilities			
Fosun Pharma Industrial Development	(vi)	**317,344**	224,221
Jiangsu Wanbang	(vi)	**86,232**	57,771
		403,576	281,992

Notes:

(i) The amounts due from related parties in the trade and bills receivables were trade in nature, unsecured, interest-free and repayable within 90 days.

(ii) The amounts due from the related party in the prepayments, deposits and other receivables were trade in nature, unsecured, interest-free. The balances have been fully repaid by the end of 2019.

(iii) The amounts due to related parties in trade payables were trade in nature, unsecured, interest-free and repayable. The outstanding balances shall be repayable within 30 days.

(iv) The amounts due to the related party in other payables and accruals were non-trade in nature, unsecured, interest-free and settled in 2019.

(v) The Company rent properties as plants, laboratories and offices from Clone High Tech and recognised the corresponding lease liabilities, the maturity profile of the lease liabilities due to Clone High Tech as at the end of 2019 is as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**20,513**	16,246
In the second year	**24,066**	19,826
In the third to fifth years, inclusive	**68,639**	69,878
Beyond five years	**28,577**	59,058
	141,795	165,008

(vi) The amounts due to related parties in Contract liabilities were the advance payments of the License for certain biopharmaceutical products. These amounts are trade in nature, unsecured and with interest which represented the significant financial component in the contract.

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(d) Compensation of key management personnel of the Group

	2019 RMB'000	2018 RMB'000
Fees	300	–
Other emoluments:		
Salaries, allowances and benefits in kind	10,653	6,590
Performance related bonuses	2,157	2,216
Staff welfare expenses	534	426
Share award scheme	14,926	11,195
Total compensation paid to key management personnel	28,570	20,427

Further details of Directors' and supervisors' remuneration are included in note 9 to the financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period of the Group are as follows:

Financial assets at amortised cost

	2019 RMB'000	2018 RMB'000
Trade and bills receivables	29,830	6,821
Financial assets included in prepayments, deposits and other receivables	25,248	3,745
Pledged deposits	3,559	6,024
Cash and cash equivalents	2,301,092	958,990
	2,359,729	975,580

Financial liabilities at amortised cost

	2019 RMB'000	2018 RMB'000
Trade and bills payables	240,158	85,309
Financial liabilities included in other payables and accruals	326,742	256,268
Interest-bearing bank and other borrowings	609,389	528,018
	1,176,289	869,595

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Interest-bearing bank borrowings (non-current portion)	**331,148**	385,340	**334,276**	388,199

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's principal financial instruments comprise cash and cash equivalents, and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables and financial liabilities included in other payables and accruals, which arise directly from its operations.

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at the end of reporting period was assessed to be insignificant.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices In active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	334,276	–	334,276

As at 31 December 2018

	Fair value measurement using			
	Quoted prices In active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	388,199	–	388,199

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019 were assessed to be insignificant.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of Directors reviews and agrees policies for managing each of these risks and they are summarized below.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from activities by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of reporting period to a reasonably possible change in the USD and RMB exchange rate and in the USD and NTD exchange rate, with all other variables held constant, of the Group's loss before tax due to changes arising on fair values of monetary assets and liabilities and the Group's equity excluding the impact of retained earnings due to the changes of exchange fluctuation reserve of certain overseas subsidiaries whose functional currencies are currencies other than RMB.

	Increase/ (decrease) in USD rate %	Increase/ (decrease) in equity RMB'000
Year ended 31 December 2019		
If the RMB weakens against the USD	**5**	**35,954**
If the RMB strengthens against the USD	**(5)**	**(35,954)**
If the NTD weakens against the USD	**5**	**(468)**
If the NTD strengthens against the USD	**(5)**	**468**
Year ended 31 December 2018		
If the RMB weakens against the USD	5	43,236
If the RMB strengthens against the USD	(5)	(43,236)
If the NTD weakens against the USD	5	1,969
If the NTD strengthens against the USD	(5)	(1,969)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	–	–	–	29,830	29,830
Financial assets included in prepayments, deposits and other receivables					
– Normal**	25,248	–	–	–	25,248
Pledged deposits					
– Not yet past due	3,559	–	–	–	3,559
Cash and cash equivalents					
– Not yet past due	2,301,092	–	–	–	2,301,092

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	–	–	–	6,821	6,821
Financial assets included in prepayments, deposits and other receivables					
– Normal**	3,745	–	–	–	3,745
Pledged deposits					
– Not yet past due	6,024	–	–	–	6,024
Cash and cash equivalents					
– Not yet past due	958,990	–	–	–	958,990

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2019

	On demand or within one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
Trade and bills payables	**240,158**	**–**	**–**	**240,158**
Financial liabilities included in other payables and accruals	**326,742**	**–**	**–**	**326,742**
Interest-bearing bank and other borrowings	**290,318**	**337,502**	**37,545**	**665,365**
	857,218	**337,502**	**37,545**	**1,232,265**

31 December 2018

	On demand or within one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
Trade and bills payables	85,309	–	–	85,309
Financial liabilities included in other payables and accruals	256,268	–	–	256,268
Interest-bearing bank and other borrowings	173,351	361,315	71,626	606,292
	514,928	361,315	71,626	947,869

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

CAPITAL MANAGEMENT *(CONTINUED)*

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2019 RMB'000	2018 RMB'000
Interest-bearing bank and other borrowings (note 25)	**609,389**	528,018
Less: Cash and cash equivalents	**2,301,092**	958,990
Net debt	**(1,691,703)**	(430,972)
Equity attributable to owners of the parent	**4,000,415**	1,802,549
Capital and net debt	**2,308,712**	1,371,577
Gearing ratio	**N/A***	N/A*

As at 31 December 2019 and 31 December 2018, the amount of the Group's cash and cash equivalents exceeded the interest-bearing bank and other borrowings. As such, no gearing ratio as at 31 December 2019 and 31 December 2018 was presented.

39. EVENTS AFTER THE REPORTING PERIODS

Since the outbreak of the Novel Coronavirus (COVID-19) disease in China, ongoing prevention and control measures have been carried out throughout the whole country. The epidemic will impact business operations of certain industries as well as the overall economy. Therefore, the Company's operations and revenue may be affected to a certain extent depending on the effects of the prevention and control measures, duration of the outbreak and implementation of various policies.

The Company will closely monitor the situation and assess its impacts on our financial position and operating results. As of the date of this report, such assessment is still ongoing.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**136,668**	90,877
Intangible assets	**1,821,006**	1,130,691
Investments in subsidiaries	**1,787,440**	850,849
Right-of-use assets	**82,253**	109,517
Other non-current assets	**73,996**	54,717
Total non-current assets	**3,901,363**	2,236,651
CURRENT ASSETS		
Inventories	**–**	316
Trade and bills receivables	**41,737**	9,205
Prepayments, deposits and other receivables	**1,055,176**	773,503
Pledged deposits	**–**	1,153
Cash and cash equivalents	**1,971,788**	931,708
Total current assets	**3,068,701**	1,715,885
CURRENT LIABILITIES		
Trade and bills payables	**198,457**	62,280
Other payables and accruals	**347,649**	283,788
Contract liabilities	**32,008**	9,108
Interest-bearing bank and other borrowings	**201,868**	124,584
Total current liabilities	**779,982**	479,760
NET CURRENT ASSETS	**2,288,719**	1,236,125
TOTAL ASSETS LESS CURRENT LIABILITIES	**6,190,082**	3,472,776
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**274,681**	320,401
Contract liabilities	**572,515**	335,347
Deferred income	**24,927**	25,169
Total non-current liabilities	**872,123**	680,917
Net assets	**5,317,959**	2,791,859

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

	2019 RMB'000	2018 RMB'000
EQUITY		
Share capital	**543,495**	474,433
Reserves (Note)	**4,774,464**	2,317,426
Total equity	**5,317,959**	2,791,859

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Other reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at 1 January 2018	326,546	17,159	(167,820)	175,885
Loss for the year	–	–	(272,102)	(272,102)
Issue of new shares	2,343,846	–	–	2,343,846
Issue of restricted shares under share award scheme	186,778	(209,528)	–	(22,750)
Equity-settled share-based payments	–	92,547	–	92,547
At 31 December 2018 and 1 January 2019	2,857,170	(99,822)	(439,922)	2,317,426
Loss for the year	–	–	(547,387)	(547,387)
Issue of new shares	2,880,691	–	–	2,880,691
Equity-settled share-based payments	–	123,734	–	123,734
At 31 December 2019	5,737,861	23,912	(987,309)	4,774,464

The Company's share premium represents the excess of the fair value of the shares of the Company over the nominal value of the Company's shares issued in exchange therefor.

The other reverse comprises equity-settle share-base payments which were recognised as the difference between the grant price and the fair value of the shares under the share award scheme. Please refer to note 30 to the consolidated financial statements for details.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2020.

DEFINITIONS

In this annual report, the following expressions have the meanings set out below unless the context requires otherwise.

"Accord"	Accord Healthcare Limited
"Articles of Association"	the articles of association of the Company
"Ascentage Pharma"	Ascentage Pharma Group International
"Biosimilar Guidelines"	the Guidelines for the R&D and Evaluation of Biosimilars (Trial) (《生物類似藥研發與評價技術指導原則(試行)》)
"Board"	the board of Directors of the Company
"Cayman Henlius"	Henlius Biopharmaceuticals, Inc., a company established in Cayman Islands on 23 February 2009, and a substantial shareholder
"Company"	Shanghai Henlius Biotech, Inc., a joint stock company incorporated under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
"Company Law"	the Company Law of the PRC, as revised or supplemented from time to time
"CG Code"	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	Ordinary Shares issued by the Company in the PRC with a nominal value of RMB1.00 each, which are subscribed for and paid for in RMB
"EMA"	European Medicines Agency
"EU"	European Union
"Farma De Colombia"	Farma De Colombia S.A.S
"FDA"	the United States Food and Drug Administration
"FHL"	Fosun Holdings Limited (復星控股有限公司), a company incorporated in Hong Kong on 18 February 2005 with limited liability, and a controlling shareholder
"FIHL"	Fosun International Holdings Ltd. (復星國際控股有限公司), a company incorporated in the British Virgin Islands on 9 September 2004 with limited liability, and a controlling shareholder
"Fosun High Tech"	Shanghai Fosun High Technology (Group) Co., Ltd.* (上海復星高科技(集團)有限公司), a company incorporated in the PRC on 8 March 2005, and a controlling shareholder
"Fosun International"	Fosun International Limited (復星國際有限公司), a company incorporated in Hong Kong on 24 December 2004 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, and a controlling shareholder
"Fosun New Medicine"	Shanghai Fosun New Medicine Research Company Limited (上海復星新藥研究有限公司), a company incorporated in the PRC on 12 September 2008 with limited liability, and a controlling shareholder
"Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC, the H shares and A shares of which are listed and traded on the Main Board of the Stock Exchange and the Shanghai Stock Exchange, respectively, and a controlling shareholder
"Fosun Pharma Industrial Development"	Shanghai Fosun Pharmaceutical Industrial Development Company Limited (上海復星醫藥產業發展有限公司), a company incorporated in the PRC on 27 November 2001 with limited liability, a wholly-owned subsidiary of Fosun Pharma, and a controlling shareholder

"GCP"	good clinical practice
"Global Offering"	the global offering comprises the Hong Kong public offering of 6,469,600 H Shares as well as the international offering of 58,225,800 H Shares initially available for subscription and 4,366,400 H Shares pursuant to the partial exercise of the over-allotment option
"GMP"	good manufacturing practice
"Greater China"	includes Mainland China, Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
"Group", "we", "our" or "us"	the Company and its subsidiaries
"HK$ or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"H Shares"	overseas listed foreign share(s) in the Company's ordinary share capital, with a nominal value of RMB1.00 each, which were listed on the Stock Exchange and traded in Hong Kong dollars
"IFRSs"	International Financial Reporting Standards
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"International Underwriting Agreement"	has the same meaning as set out in the Prospectus
"Jiangsu Fosun"	Jiangsu Fosun Pharmaceutical Sales Co., Ltd., a company incorporated in the PRC with limited liability, and a wholly owned subsidiary of Fosun Pharma
"Jiangsu Wanbang"	Jiangsu Wanbang (Group) Biopharmaceutical Co., Ltd., a company incorporated in the PRC with limited liability, and a wholly owned subsidiary of Fosun Pharma
"KG Bio"	PT Kalbe Genexine Biologics
"Latest Practicable Date"	30 March 2020, being the latest practicable date for ascertaining the contents set out in this report prior to printing
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Date"	25 September 2019, being the date on which the H Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"mAb"	monoclonal antibodies
"MAA"	marketing authorisation application
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"NDA"	new drug application
"NMPA"	the National Medical Products Administration of the PRC
"PRC", "China" or "Mainland China"	the People's Republic of China, but for the purposes of this annual report only, except where the context requires, references in this annual report to PRC, China or Mainland China exclude Hong Kong, Macau and Taiwan

"Prospectus"	the prospectus issued by the Company on 12 September 2019 in connection with the Global Offering
"Reporting Period"	the year ended 31 December 2019
"R&D"	research and development
"RMB"	Renminbi, the lawful currency of the PRC
"Rules of Procedures of the Board of Supervisors"	the rules of procedures of the Board of Supervisors of Shanghai Henlius Biotech, Inc.
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary shares with nominal value of RMB1.00 each in the share capital of the Company
"Songjiang First Plant"	the Company's manufacturing facility at Guangfu Lin Road of the Songjiang District of Shanghai
"Songjiang Second Plant"	Henlius Biotech Biopharmaceutical Industrialization Base II, the Company's manufacturing facility with total planned area of 200 mu currently under construction in the Songjiang District of Shanghai
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisors(s) of the Company
"Taiwan Henlius"	Henlix Biotech Co., Ltd. (漢霖生技股份有限公司), a wholly-owned subsidiary of the Company incorporated in Taiwan in October 2010
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US$"	U.S. Dollars, the lawful currency of the U.S.
"Xuhui Facility"	the Company's manufacturing facility at Yishan Road of the Xuhui District of Shanghai

In this annual report, if there is any inconsistency between the Chinese names of the entities, authorities, organisations, institutions or enterprises established in China or the awards or certificates given in China and their English translations, the Chinese version shall prevail.