Henlius

RELIABLE QUALITY
AFFORDABLE INNOVATION

2020
ANNUAL REPORT

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

可負擔的創新 **值得信賴**的品質

RELIABLE QUALITY **AFFORDABLE** INNOVATION

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive directors

Wenjie Zhang *(Chief Executive Officer)*[1]
Scott Shi-Kau Liu *(Chief Executive Officer)*[2]

Non-executive directors

Qiyu Chen (陳啟宇) *(Chairman)*
Yifang Wu (吳以芳)
Xiaohui Guan (關曉暉)
Aimin Hui
Zihou Yan (晏子厚)[3]
Jiemin Fu (傅潔民)[4]

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

Rongli Feng (馮蓉麗) *(Chairman)*[5]
Deli Kong (孔德力)
Junhong Liu (劉俊宏)[6]
Yong Zhou (周勇) *(Chairman)*[7]
Kun Dai (戴昆) *(Chairman)*[8]
Jingyi Wang (王靜怡)[9]

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)*
Wenjie Zhang[1]
Yifang Wu (吳以芳)
Aimin Hui
Zihou Yan (晏子厚)[3]
Tak Young So (蘇德揚)
Ruilin Song (宋瑞霖)
Jiemin Fu (傅潔民)[4]
Scott Shi-Kau Liu[2]

Note:

1. Mr. Wenjie Zhang was appointed as the chief executive officer on 30 September 2020 and appointed as an executive Director, a member of the Strategy Committee and a member of the Environmental, Social and Governance Committee on 19 November 2020.
2. Dr. Scott Shi-Kau Liu resigned as an executive Director, a member of the Strategy Committee and a member of the Environmental, Social and Governance Committee and the chief executive officer on 30 September 2020.
3. Mr. Zihou Yan (晏子厚) was appointed as a non-executive Director and a member of the Strategy Committee on 19 February 2020.
4. Mr. Jiemin Fu (傅潔民) resigned as a non-executive Director and a member of the Strategy Committee on 19 February 2020.
5. Ms. Rongli Feng (馮蓉麗) was appointed as a Supervisor and the chairman of the board of supervisors on 23 May 2020.
6. Ms. Junhong Liu (劉俊宏) was appointed as a Supervisor on 31 December 2020.
7. Mr. Yong Zhou (周勇) resigned as a Supervisor and the chairman of the board of supervisors on 19 February 2020.
8. Ms. Kun Dai (戴昆) was appointed as a Supervisor and the chairman of the board of supervisors on 19 February 2020. She resigned as a supervisor and the chairman of the board of supervisors with effect from 23 May 2020.
9. Ms. Jingyi Wang (王靜怡) resigned as a Supervisor on 31 December 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE[10]

Lik Yuen Chan (陳力元) *(Chairman)*
Tak Young So (蘇德揚)
Ruilin Song (宋瑞霖)
Wenjie Zhang[1]
Zihou Yan (晏子厚)[3]
Scott Shi-Kau Liu[2]

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

Wenjie Zhang
Ching Ching Leung (梁晶晶)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

9F, Innov Tower (Capitaland Building)
1801 Hongmei Road
Xuhui District
Shanghai
PRC

REGISTERED OFFICE IN CHINA

Rooms 303-304, Building 7
No. 1999, Zhangheng Road
China (Shanghai) Pilot Free Trade Zone
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

H SHARES REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISER

Haitong International Capital Limited
8/F Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

AUDITOR AND REPORTING ACCOUNTANTS

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISERS TO THE COMPANY

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

As to PRC law:
Llinks Law Offices
19/F, One Lujiazui
68 Yin Cheng Road Middle
Shanghai
PRC

STOCK SHORT NAME

HENLIUS – B

STOCK CODE

2696

COMPANY WEBSITE

www.henlius.com

Note:
10. The Environmental, Social and Governance Committee was established on 24 April 2020.

CHAIRMAN'S STATEMENT

PLAYING A STRONG VOICE IN THE ERA OF INNOVATION AND DEVELOPMENT, AND REALIZING THE LONG-TERM VALUE OF PHARMACEUTICAL ENTERPRISES

With the long-term care and support from all sectors of society, especially the investors, Henlius has made its way to a fruitful end in 2020. As a leading biopharmaceutical company in China, after the successful launch of 漢利康®, the first biosimilar drug in China, we launched 漢曲優® (trastuzumab injection, EU brand name: Zercepac®), the first domestic trastuzumab approved in China and EU. Henlius has paved the way for the overseas offering of domestic biological drugs, set a precedent for Chinese biological pharmaceutical enterprises to participate in the "World Cup" competition of monoclonal antibody, and brought the value of Chinese pharmaceutical enterprises to the international stage. By far, Henlius has successfully opened the first show of commercialization, and forcefully took a big step towards the transformation to an all-purpose pharmaceutical company.

However, for the accessibility to the affordable biological drugs with high quality by global patients, we must take a broad and long-term view. Looking at the international environment, the COVID-19 in 2020 has caused the whole human society to focus on human health, and how to better promote human health is the core of realizing the long-term value of pharmaceutical enterprises. Pharmaceutical innovation is undoubtedly the core driving force. With the significant acceleration of review and evaluation of new drugs in China, the gradual expansion of financing channels, and the tremendous changes in the development environment of pharmaceutical innovation, China has ushered in the spring of pharmaceutical innovation.

The future of innovation is exciting. However, true innovation is a long way off. It can't happen overnight. It takes a lot of hard work over a long period of time. We will continue to improve the efficiency of R&D and production in an all-round way to build an all-around biopharmaceutical company. We will continue to explore the global market in an efficient manner, and make China's voice heard on the global innovation stage by focusing on improving our own team and expanding interconnected cooperation. We will continue to build an efficient corporate culture, gather more innovative talents, and jointly create the long-term value of Henlius as an innovative biopharmaceutical company – engage in innovations that focus on clinical needs and make products more affordable to patients, promote pharmaceutical innovation in China, and upgrade from pursuing innovation to leading innovation.

Innovation in today's world has long been inseparable from globalization, which means we must continue to adhere to the internationalization strategy. We shall obtain access to cutting-edge technology and adapt to the clinical needs of China through a global linkage mechanism of innovative research and development. We shall actively explore the possibility of commercializing the innovation results in the international market, and connect to the global network to obtain a more leading technology platform.

Finally, on behalf of the Board of Directors, I would like to express our heartfelt thanks to our shareholders and all sectors of society for their long-term trust and support. I would also like to express our sincere gratitude to all of our staff and management team for their outstanding contributions. In the future, let us constantly stick to the main channel of innovation and development, and play a strong voice in the era of pharmaceutical development and innovation!

Chairman
Qiyu Chen

CHIEF EXECUTIVE OFFICER'S REVIEW

LEADING A NEW ERA OF INNOVATION THROUGH EXCELLENT COMMERCIALIZATION

The year 2020 was a very special year under the impact of COVID-19. Faced with the unprecedented complex environment, Henlius shouldered a greater mission on a higher platform with practical actions. By promoting commercial operation, deepening innovation and research and development, accelerating the improvement of production capacity and efficiency, leading the production process, expanding the territory of cooperation, and sharing social value, we have taken another big step forward in our quest to benefit patients around the world with high-quality biological drugs.

In the past year, we continued to maintain our first-mover advantage in the core product areas, and completed the launch of commercial operations. After opening a new era of biosimilar drugs in China with 漢利康® in 2019, we successively launched two blockbuster products in 2020 – 漢曲優® and 漢達遠®, further solidifying Henlius' position as the leader in the field of biosimilar drugs in China. With the approval of 漢曲優® (trastuzumab injection, EU brand name: Zercepac®) in China and EU, Chinese biosimilar drugs have started to march into international markets. With the ambition of "not leaving a HER2-positive patient behind", Henlius actively promoted the commercialization process of 漢曲優® in China, and steadily promoted the inclusion into medical insurance, bidding and admission to hospitals of this drug. At the same time, we steadily carried out the "going abroad" strategies. 漢曲優® (EU brand name: Zercepac®) has been successfully marketed in nearly 20 EU countries and regions including Germany, Spain, France, Italy, Ireland, and Hungary, and great progress has been made for its entry into the national medical insurance and public hospitals in the United Kingdom. The successful launch of 漢達遠® marked the expansion of our service to the field of autoimmune diseases. We look forward to working with Fosun Pharma to treat as many patients with autoimmune diseases as possible. In addition, the new drug application (NDA) of HLX04 (bevacizumab) and HLX01 (rituximab) for rheumatoid arthritis indications has been accepted, which is expected to further enrich the commercial product pipeline of Henlius.

In the past year, we further promoted research and development, and further implemented the differentiation strategy of "combination therapy + globalization". Global multi-center clinical trials of HLX10 (anti-PD-1 monoclonal antibody) under a total of 8 immunocombination therapies targeting different solid tumors have been launched, covering multiple solid tumor indications including lung cancer, gastric cancer, hepatocellular carcinoma and esophageal squamous cell carcinoma. This product will be launched in overseas market and benefit patients around the world, which will become a key differentiation advantage and highlight of HLX10 (PD-1) in the future. Application for clinical trail for HLX70 (anti-S1 full-human monoclonal neutralizing antibody) and HLX71 (ACE2-Fc receptor fusion protein), two COVID-19 therapeutic candidates, have been approved for clinical trials by FDA, among which, the first subject dosing in the United States was recently completed in a phase 1 clinical trial of HLX71, and they are expected to contribute to China's efforts in the fight against the global pandemic. In addition, we have deployed a wide range of targets. In 2020, we obtained 6 new drug clinical trial licenses and had 3 new drug clinical trial applications accepted in China and the United States, covering RANKL, HER2, DR4, CTLA-4, CD38 and other targets. We are well positioned to further expand the field of disease treatment.

CHIEF EXECUTIVE OFFICER'S REVIEW

In the past year, we actively promoted production capacity construction and accelerated production and efficiency improvement. Xuhui Facility was certified by EU GMP, and installed with 4 new 2,000L bioreactors, increasing the total commercial production capacity to 20,000L. Songjiang First Plant steadily upgraded its production capacity and completed the trial production of clinical samples. With the completion the structure of the first phase project, phased results were achieved for Songjiang Second Plant. In the past year, we actively explored advanced technology, and deployed leading production process. We actively promoted continuous production technology research and development, successfully completed the concept test of laboratory level and pilot level (200L) continuous production technology, introduced the upstream irrigation process and the downstream high-throughput screening platform, and independently built a new dosage form development platform.

In the past year, we continued to pursue win-win cooperation and expanded the frontiers of international cooperation. We worked with Essex to develop the ophthalmic indications for HLX04-O (recombinant humanized anti-VEGF monoclonal antibody injection) worldwide, granted the exclusive rights of developing and commercializing 漢曲優® (trastuzumab injection, EU brand name: Zercepac®) in the United States and Canada to Accord, and granted the license to develop and commercialize 漢曲優® (trastuzumab injection, EU brand name: Zercepac®) in Argentina, Uruguay and Paraguay to Mabxience. Our licenses covered the global mainstream markets and emerging markets, and are expected to bring more high-quality biological drugs to patients around the world.

In the past year, we continued to fulfill our commitment and responsibility to our stakeholders, including patients, employees, partners and communities. We continued to closely monitor COVID-19. In addition to making positive contributions to the research and development of therapeutic drugs, we also worked with the Fosun Foundation to donate pandemic prevention materials to the affected areas and support the frontline medical teams. Henlius once again launched the "漢曲優® Rural Medical Care Charity Tour" with the Fosun Foundation's Rural Doctors Health and Poverty Alleviation Project Platform and the People's Daily Health App and the People's Daily Health Times. In 2020, the charity tour team traveled to Jinzhai, Anhui Province, Qiongzhong, Hainan Province and other places to raise the awareness of breast cancer diagnosis and treatment among doctors and patients in rural areas, helping to achieve targeted poverty alleviation, and realize the healthy Chinese dream.

In the future, we will be committed to commercialization excellence, including the commercialization operation for the entire value chain from R&D to production to traditional commercialization. We shall, guided by the science-driven and patient-oriented concept, unswervingly innovate and lead China's biomedical innovation, upgrading from "follower" to "runner", and finally to "leader". We shall unswervingly go global, take a global position and a far-sighted view, bring more products abroad, and open up a broader area of international cooperation. We should not only promote independent innovation, but also build ourselves into a preferred innovation partner.

Finally, I would like to express my heartfelt thanks to all the investors and all sectors of society for their long-term care. All of us in Henlius will make persistent efforts to bring health to patients, share achievements with the society and create more value for shareholders and employees!

Chief Executive Officer
Wenjie Zhang

I. FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RMB' 000	2019 RMB' 000
Revenue	**587,586**	90,929
Cost of sales	**(182,119)**	(71,821)
Gross profit	**405,467**	19,108
Other income and gains	**43,737**	24,674
Selling and distribution expenses	**(243,648)**	(45,689)
Administrative expenses	**(192,640)**	(174,834)
Impairment losses on financial assets, net	**14**	(5,300)
Research and development expenses	**(894,144)**	(607,827)
Other expenses	**(68,622)**	(36,635)
Financial costs	**(43,705)**	(48,307)
Loss before tax	**(993,541)**	(874,810)
Income tax expense	**–**	(655)
Loss for the year	**(993,541)**	(875,465)

Total revenue was approximately RMB587.6 million for the year ended 31 December 2020, as compared to approximately RMB90.9 million for the year ended 31 December 2019. For the year ended 31 December 2020, such revenue was primarily from drug sales, R&D services provided to customers, and licence income.

Expensed R&D expenses increased by approximately RMB286.3 million to approximately RMB894.1 million for the year ended 31 December 2020, compared to approximately RMB607.8 million for the year ended 31 December 2019, primarily due to the clinical trials of biopharmaceutical candidates.

Selling, marketing and business development expenses were approximately RMB243.6 million for the year ended 31 December 2020, primarily due to the expansion of our sales and marketing capacity and activities in preparation for the drug candidates.

Total loss increased by approximately RMB118.0 million to approximately RMB993.5 million for the year ended 31 December 2020, compared to approximately RMB875.5 million for the year ended 31 December 2019, primarily due to the expansion of R&D clinical activities.

II. FIVE YEARS' FINANCIAL SUMMARY

RESULTS

	2020	2019	2018	2017	2016
			RMB' 000		
Revenue	**587,586**	90,929	7,421	33,910	38,109
Loss before tax	**(993,541)**	(874,810)	(500,220)	(379,997)	(93,008)
Income tax expense	**–**	(655)	(4,569)	(4,330)	–
Loss for the year	**(993,541)**	(875,465)	(504,789)	(384,327)	(93,008)
Loss for the year attributable to owners of the parent	**(993,541)**	(875,465)	(493,686)	(270,562)	(74,369)

ASSETS AND LIABILITIES

	2020	2019	2018	2017	2016
			RMB' 000		
Total assets	**6,439,176**	5,899,817	3,094,790	1,484,517	828,668
Total liabilities	**(3,240,404)**	(1,899,402)	(1,292,241)	(1,560,507)	(329,458)
Net assets	**3,198,772**	4,000,415	1,802,549	(75,990)	499,210

III. HIGHLIGHTS OF THE YEAR

1

漢利康® (rituximab injection):

- 漢利康®: Applications for the addition of 2,000L drug substance production scale and 2,000L production equipment, and the addition of the specification of 500mg/50ml/vial were approved by the NMPA in April 2020. The supplemental new drug application (sNDA) for the two new indications was approved by the NMPA in July 2020.

- Innovative indication rheumatoid arthritis of rituximab injection: In December 2020, the new drug application (NDA) for the innovative indication of rheumatoid arthritis (RA) was accepted by the NMPA.

2

漢曲優® (trastuzumab injection, EU brand name: Zercepac®):

- 漢曲優®: 漢曲優® (150mg) successfully went to market in August 2020. The supplemental new drug application (sNDA) of 漢曲優® (60mg) was accepted by the NMPA in October 2020.

- Zercepac®: In July 2020, the marketing authorization application (MAA) for Zercepac® was officially approved by the European Commission (EC), becoming the first "Chinese" mAb biosimilar approved for marketing in the EU. In June 2020, the Company and Accord entered into an agreement in relation to new specifications for Zercepac®, the adjustment in royalties, etc.

3

漢達遠® (adalimumab):

The new drug application (NDA) for 漢達遠® was approved by the NMPA in December 2020, becoming the Group's third product for sale on the market in mainland China. The supplemental new drug application (sNDA) for the new uveitis indication of 漢達遠® was accepted by the NMPA in January 2021, and those supplemental new drug application (sNDA) were accepted in April 2021.

4

Layout of International Market Commercialization:

- In September 2020, the Company entered into a binding term sheet with Accord Healthcare Inc., pursuant to which the Company agreed to grant a license to Accord Healthcare Inc. (or Intas, its parent company) to develop and commercialise 漢曲優® (trastuzumab injection, EU brand name: Zercepac®) in the USA and Canada. The cooperation agreement was officially signed by the Company and Intas in January 2021.

- In October 2020, the Company agreed to co-develop HLX04-O (recombinant humanized anti-VEGF monoclonal antibody injection) as a therapy for eye diseases such as wet age-related macular degeneration (wAMD) with Essex, and to grant an exclusive license to Essex to develop, manufacture and commercialize the product in ophthalmic therapeutic use and/or therapies globally.

- During the Reporting Period, the Company also signed an exclusive license agreement with Mabxience and Binacea for 漢曲優® (trastuzumab injection, EU brand name: Zercepac®) and HLX35 (bispecific antibodies against EGFR and 4-1BB), respectively.

OPERATION HIGHLIGHTS

5

Efficient Advancement of the International Multi-Center Clinical Research Projects:

- In April 2020, the first patient dosing in Turkey was completed in a phase 3 clinical trial to compare HLX10(PD-1) in combination with chemotherapy (carboplatin nab-paclitaxel) against chemotherapy (carboplatin nab-paclitaxel) as first-line therapy for locally advanced or metastatic squamous non-small cell lung cancer (sqNSCLC); in March 2021, the international multi-center clinical trials completed the enrollment of subjects.

- In April 2020, the first patient dosing in Turkey was completed in a phase 3 clinical trial of HLX10(PD-1) or placebo in combination with chemotherapy (Carboplatin-Etoposide) in previously untreated patients with extensive-stage small cell lung cancer (ES-SCLC).

- In January 2021, the filing for a clinical trial for HLX04-O (recombinant humanized anti-VEGF monoclonal antibody injection) for the treatment of wet age-related macular degeneration (wAMD) was approved by the Therapeutic Goods Administration, Australia, and the phase 3 clinical trial were given permission to commence in Australia; its investigational new drug application (IND) was also approved by FDA in March 2021.

6

Significant Progress of Domestic Clinical Research Projects:

In July 2020, the first patient dosing was completed in a phase 2 clinical trial of HLX10(PD-1) in combination with recombinant anti-EGFR humanised monoclonal antibody injection (HLX07) for the treatment of recurrent or metastatic head and neck squamous cell carcinoma (HNSCC) in mainland China. In September 2020, the enrollment of subjects was completed in a phase 1 clinical trial of HLX10(PD-1) in combination with HLX04. In January 2021, the enrollment of subjects was completed in a phase 2 clinical trial of HLX10(PD-1) in combination with HLX04 against advanced hepatocellular carcinoma (HCC). In March 2021, the first patient dosing was completed in a phase 2/3 clinical trial of HLX10(PD-1) in combination with HLX04 and chemotherapy(XELOX) as a first-line treatment for metastatic colorectal cancer (mCRC) in mainland China. In March 2021, the phase 2 clinical trial of HLX10(PD-1) for the treatment of unresectable or metastatic microsatellite instability high (MSI-H) or deficient mismatch repair (dMMR) solid tumors that fails to respond to the standard therapy reached the primary endpoint.

7

Efficient Advancement of the IND Application for Pre-Clinical Development Projects:

During the Reporting Period, the Group also continuously placed importance on the pre-clinical project reserves, speeding up the investigational new drug application (IND) of 7 pre-clinical research projects covering targets, such as CTLA-4, RANKL, DR4, S1 Protein of SARS-CoV-2, CD38, LAG-3.

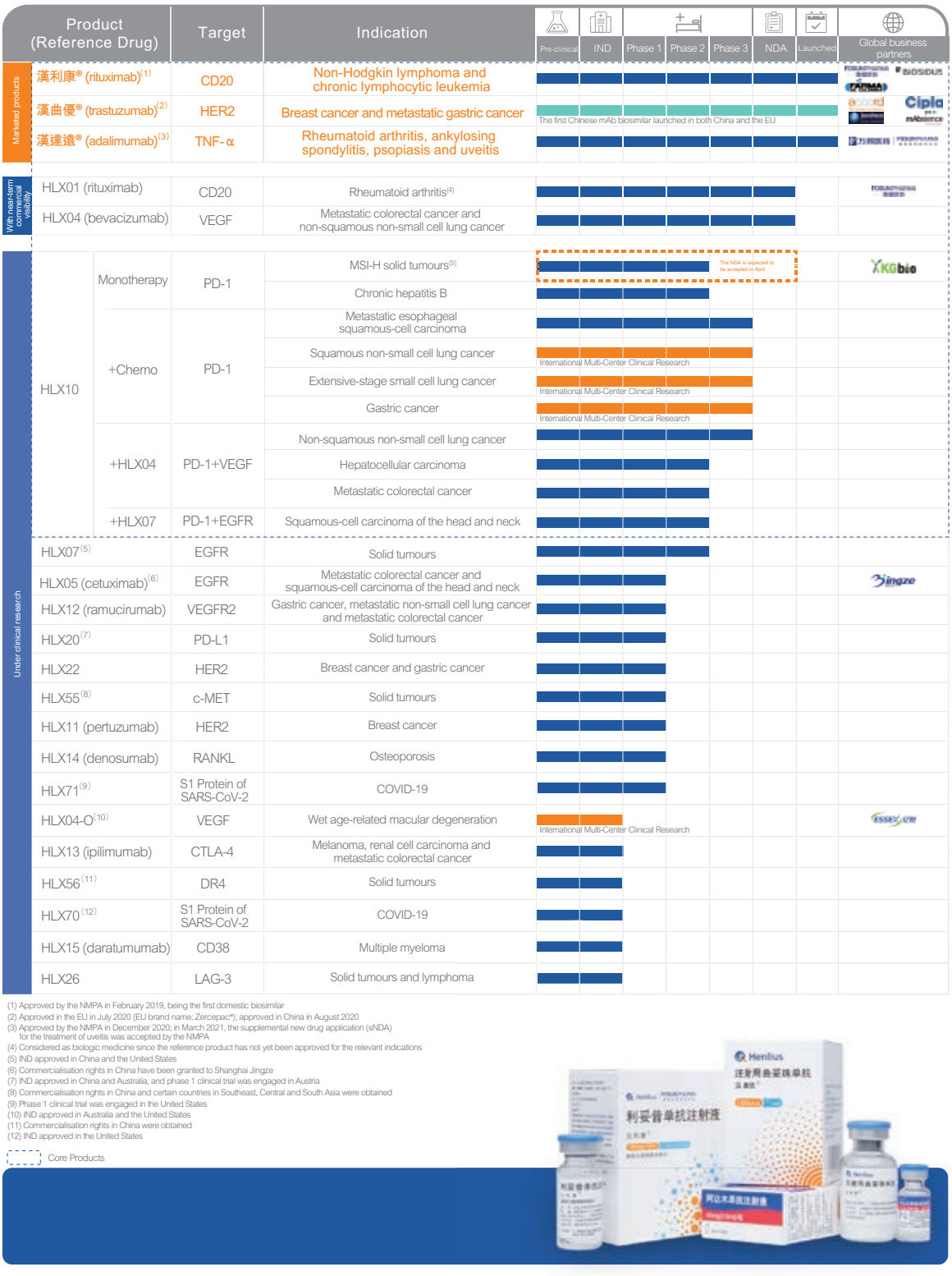
8

Biopharmaceutical Industrialization Base Layout with International Standards and High Cost-Efficiency:

During the Reporting Period, Xuhui Facility obtained the GMP certification by China and the EU, completing the relevant filings for four additional 2,000L bioreactors. The Group's overall commercial production capacity was increased to 20,000L. The Songjiang First Plant which has a planned production capacity of 24,000L completed the construction of twelve 2,000L bioreactors, and the construction, debugging and verification of continuous production pilot workshop has also been finished. The structure of the main production building for the phase I project of the Songjiang Second Plant was completed, with the tenders for the main equipment and engineering project being satisfied.

IV. OUR PRODUCT PIPELINE

	Product (Reference Drug)		Target	Indication	Global business partners
Marketed products	漢利康® (rituximab)(1)		CD20	Non-Hodgkin lymphoma and chronic lymphocytic leukemia	
	漢曲優® (trastuzumab)(2)		HER2	Breast cancer and metastatic gastric cancer	
	漢達遠® (adalimumab)(3)		TNF-α	Rheumatoid arthritis, ankylosing spondylitis, psoriasis and uveitis	
With near-term commercial visibility	HLX01 (rituximab)		CD20	Rheumatoid arthritis(4)	
	HLX04 (bevacizumab)		VEGF	Metastatic colorectal cancer and non-squamous non-small cell lung cancer	
Under clinical research	HLX10	Monotherapy	PD-1	MSI-H solid tumours(5)	
				Chronic hepatitis B	
		+Chemo	PD-1	Metastatic esophageal squamous-cell carcinoma	
				Squamous non-small cell lung cancer	
				Extensive-stage small cell lung cancer	
				Gastric cancer	
		+HLX04	PD-1+VEGF	Non-squamous non-small cell lung cancer	
				Hepatocellular carcinoma	
				Metastatic colorectal cancer	
		+HLX07	PD-1+EGFR	Squamous-cell carcinoma of the head and neck	
	HLX07(5)		EGFR	Solid tumours	
	HLX05 (cetuximab)(6)		EGFR	Metastatic colorectal cancer and squamous-cell carcinoma of the head and neck	
	HLX12 (ramucirumab)		VEGFR2	Gastric cancer, metastatic non-small cell lung cancer and metastatic colorectal cancer	
	HLX20(7)		PD-L1	Solid tumours	
	HLX22		HER2	Breast cancer and gastric cancer	
	HLX55(8)		c-MET	Solid tumours	
	HLX11 (pertuzumab)		HER2	Breast cancer	
	HLX14 (denosumab)		RANKL	Osteoporosis	
	HLX71(9)		S1 Protein of SARS-CoV-2	COVID-19	
	HLX04-O(10)		VEGF	Wet age-related macular degeneration	
	HLX13 (ipilimumab)		CTLA-4	Melanoma, renal cell carcinoma and metastatic colorectal cancer	
	HLX56(11)		DR4	Solid tumours	
	HLX70(12)		S1 Protein of SARS-CoV-2	COVID-19	
	HLX15 (daratumumab)		CD38	Multiple myeloma	
	HLX26		LAG-3	Solid tumours and lymphoma	



(1) Approved by the NMPA in February 2019, being the first domestic biosimilar
(2) Approved in the EU in July 2020 (EU brand name: Zercepac®); approved in China in August 2020
(3) Approved by the NMPA in December 2020; in March 2021, the supplemental new drug application (sNDA) for the treatment of uveitis was accepted by the NMPA
(4) Considered as biologic medicine since the reference product has not yet been approved for the relevant indications
(5) IND approved in China and the United States
(6) Commercialisation rights in China have been granted to Shanghai Jingze
(7) IND approved in China and Australia, and phase 1 clinical trial was engaged in Austria
(8) Commercialisation rights in China and certain countries in Southeast, Central and South Asia were obtained
(9) Phase 1 clinical trial was engaged in the United States
(10) IND approved in Australia and the United States
(11) Commercialisation rights in China were obtained
(12) IND approved in the United States

Core Products

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Committed to "Affordable Innovation", the Group continued to promote the efficient development of the global commercialization of product pipelines during the Reporting Period, and further implemented production capacity deployment for the biomedicines with high economic benefit based on international standards. Great achievements have been made in clinical development and drug administration registration of the products in the pipeline. As at the Latest Practicable Date, 3 products of the Group have been successfully marketed in mainland China, 1 product has been successfully marketed in the European Union, 2 products' new drug applications have been accepted in China, more than 30 clinical trials have been approved worldwide, and more than a total of 20 clinical trials have been carried out in various countries/regions, including China, the EU, the United States, Australia, Ukraine, the Philippines and Turkey.

(I) STRONG GLOBAL PRODUCT COMMERCIALIZATION CAPABILITY

During the Reporting Period, the Group actively implemented the concept of excellent commercialization, in order to create a complete value chain covering R&D, production and traditional commercialization. Based on the needs of patients and beginning with the end in mind, we have achieved a commercialization strategy of "focusing on product portfolio, manufacturing capacity and commercial operations to become the leader in biological medicine in China". The Group's commercialization team is divided into five sections: market promotion, channel management, pricing and market access, domestic sales, and strategic planning, covering the whole process of commercialization, and realized steady growth of product sales. After the launch of 漢利康®, China's first monoclonal antibody approved in accordance with the Guidelines for Biosimilar Drugs in 2019, the Group's two core products, 漢曲優® (trastuzumab injection, EU brand name: Zercepac®) and 漢達遠®, were successively approved and marketed during the Reporting Period and achieved commercial sales. In addition, the Group cooperated with international partners for the sale of three products of the Group (including 漢曲優® (trastuzumab injection, EU brand name: Zercepac®), HLX04-O（recombinant humanized anti-VEGF monoclonal antibody injection）for innovative eye disease treatment indications, HLX35 EGFR and 4-1BB bi-specific antibody) in international markets during the Reporting Period.

1. COMMERCIAL SALES OF THREE CORE PRODUCTS DURING THE REPORTING PERIOD

Commercial sales of 漢利康® (rituximab injection) (Hematological oncology products)

As the first domestic biosimilar drug in the strict sense, 漢利康® was successfully approved for marketing in 2019. Since the beginning of 2020, important progress has been made in the registration and the approval of 漢利康®, providing strong support for the commercialization of the product after launch:

- In April 2020, applications for a 2,000L increase in drug production capacity, and for 2,000L in production equipment and new 500mg/50ml/vial specifications were successively approved by the NMPA.

- In July 2020, the supplemental new drug applications (sNDA) for two new indications, including (1) the monotherapy maintenance therapy after complete or partial response under rituximab in combination with chemotherapy for patients with initially-treated follicular lymphoma; and (2) fludarabine and cyclophosphamide (FC) combination therapy for patients with previously untreated or relapsed/refractory chronic lymphocytic leukaemia (CLL), were approved by the NMPA.

- In December 2020, the new drug application (NDA) of new indication of rituximab injection rheumatoid arthritis (RA) was accepted by the NMPA, which was developed by the Group with a differentiated strategy.

The increase in production scale and the installation of new production equipment will provide a strong guarantee for the production capacity of 漢利康®, more dosage forms will help ensure more economical use of drugs, and the approval of new indications will benefit a wider range of patient groups.

The domestic commercial sales of 漢利康® were handled by Jiangsu Fosun, a subsidiary of Fosun Pharma, the controlling shareholder of the Company. In 2020, progress was made in the inclusion of 漢利康® into medical insurance procurement platforms and admission into hospitals in all provinces of mainland China. By the end of 2020, 30 provinces and municipalities had approved 漢利康®'s inclusion into the medical insurance procurement platform, 28 provinces and municipalities had completed official platform/filed procurement, and nearly 70% of the core hospitals had admitted the drug, providing a foundation for the sales of 漢利康®.

The commercialization process of 漢曲優® (trastuzumab injection, EU brand name: Zercepac®) in mainland China and EU

– Commercial sales of 漢曲優® (a breast cancer and gastric cancer treatment product) in China

Being committed to providing high quality and affordable innovative biopharmaceuticals to patients worldwide, the Group mainly focuses on the products on the field of oncotherapy. The commercialization team of the Group is responsible for the sale and promotion of these products in mainland China.

漢曲優® (150mg) is the core product of the Group in the field of anti-tumor therapy, which has been successfully marketed since August 2020, and it is the first product sold and promoted by the Group's commercialization team in mainland China. The supplemental new drug application (sNDA) for 漢曲優® (60mg) was also accepted by the NMPA in October 2020.

The Group has an experienced commercialization core management team, with a commercialization team of about 400 people, covering five sectors including market promotion, channel management, pricing and market access, domestic sales and strategic planning (including a sales team composed of nearly 350 professionals). We made full efforts to develop and penetrate the market in mainland China. As at January 2021, 漢曲優® was approved to be included into the medical insurance procurement platform for China and all provinces and municipalities in mainland China. As at the Latest Practicable Date, 漢曲優® has been included into the medical insurance procurement platform for 30 provinces and municipalities, providing strong foundation for the improvement in sales of 漢曲優®.

– Commercial sales of Zercepac® (trastuzumab injection) in EU (a breast cancer and gastric cancer treatment product)

In July 2020, the marketing authorization application (MAA) submitted by the wholly-owned subsidiary of Accord, a business partner of Henlius for Zercepac® used for the treatment of HER2-positive early breast cancer, HER2-positive metastatic breast cancer, and untreated HER2-positive metastatic gastric cancer or gastric/esophageal junction adenocarcinoma was officially approved by the European Commission (EC). It is the first "Chinese" monoclonal antibody biosimilar drug approved for sale in the EU.

Since launching the licensing collaboration in June 2018, the Group has worked with its business partner Accord to actively promote the commercialization of Zercepac® in the EU. In June 2020, the two parties further concluded the Amendment to the License Agreement, which, on the basis of the agreement signed in June 2018, set out the agreement of the two parties on additional specifications of Zercepac® (addition of 60mg and 420mg licensing specifications on top of the original 150mg specification) and the corresponding milestone payment arrangements not exceeding $3.08 million, as well as the royalty adjustment (increased from 13.5%-25% as agreed in the original agreement to 15%-26.5% of the profit from net sales). The signing of this amendment also further reflected the international market's confidence in and recognition of the Group's products.

By the end of the Reporting Period, Zercepac® (150mg) had successfully entered a number of top hospitals in the UK (including Chelsea Hospital, Westminster and Kings College Hospital in London, etc.). In addition to the UK, Zercepac® (150mg) has been successfully marketed in nearly 20 EU countries and regions including Germany, Spain, France, Italy, Ireland, and Hungary. Meanwhile, the approval application for Zercepac® (60mg and 420mg specifications) was submitted in 2020 and it is expected to be approved for marketing in the EU in 2021. This will provide patients with more dosage forms and will facilitate the development of combination drug regimens to benefit more patients around the world.

Commercial sale of 漢達遠® (Adamumab) (an autoimmune disease treatment product)

In December 2020, the new drug application (NDA) of 漢達遠® was approved by the NMPA for the treatment of rheumatoid arthritis, ankylosing spondylitis and psoriasis. It is the third product of the Group marketed in mainland China. In January 2021, the supplemental new drug application (sNDA) of 漢達遠® for the new indication of uveitis was accepted by the NMPA, and those supplemental new drug applications (sNDA) were accepted in April 2021.

According to the cooperation agreement between the Company and Jiangsu Wanbang, subsidiary of Fosun Pharma, Jiangsu Wanbang will be responsible for the domestic commercial sales of 漢達遠® after its launch. Jiangsu Wanbang has a sizeable Department of Rheumatology and Immunization and a mixed-line sales team serving the broad market. The marketing team has a high level of professional communication skills and medical knowledge, and boasts successful experience in the commercialization of the rheumatoid treatment product Yolitong (Febuxostat Tablet). As at the Latest Practicable Date, 漢達遠® had been successfully included into the medical insurance procurement platform for 24 provinces and municipalities. In order to improve the standardized diagnosis and treatment services for Chinese patients with rheumatism, Jiangsu Wanbang established the first whole-course care platform "Dayuan Home" for autoimmune patients in China, which fully integrates the functions of an Internet hospital, popular science education, public assistance, medical insurance, patient management system, drug purchase map, and community care, with an aim to realize the whole course management of patients from medical treatment to rehabilitation.

2. PRODUCTS TO BE COMMERCIALIZED IN THE NEAR FUTURE

- ***HLX04 (recombinant humanized anti-VEGF monoclonal antibody injection) biosimilar of bevacizumab***

  HLX04 biosimilar of bevacizumab is independently developed by the Group. Its phase 3 clinical trial for the treatment of metastatic colorectal cancer (mCRC) was completed in August 2020 and the trial has met the pre-defined primary endpoint. In September 2020, the Company released the latest clinical trial data for HLX04 biosimilar of bevacizumab at the 23rd National Congress of Clinical Oncology and the 2020 CSCO Annual Conference. The results of the phase 3 study demonstrated the equivalence in efficacy between HLX04 biosimilar of bevacizumab and reference bevacizumab with similar safety and immunogenicity profiles as first-line treatment for metastatic colorectal cancer patients.

  In September 2020, the new drug application (NDA) for HLX04 biosimilar of bevacizumab for the treatment of metastatic colorectal cancer (mCRC) and advanced, metastatic or recurrent non-small cell lung cancer was accepted by the NMPA.

- ***Rituximab for rheumatoid arthritis (RA) indications***

  In order to benefit a wider patient population, the Group has adopted a differentiated development strategy for rituximab injection. In addition to the rituximab injection for all the indications in mainland China, including the original drug for non-Hodgkin's lymphoma that has been approved for the market, we also conducted clinical studies on the rheumatoid arthritis indication for which the original drug has not been approved in mainland China. In November 2020, the Company completed a phase 3 clinical trial of the rituximab injection for the treatment of rheumatoid arthritis (RA), which has reached its predefined primary study endpoint.

  In December 2020, the new drug application (NDA) of new indication of rituximab injection rheumatoid arthritis (RA) was accepted by the NMPA.

- ***Progress in the approval of HLX10 (anti-PD-1 monoclonal antibody)***

  HLX10(anti-PD-1 monoclonal antibody) is the core innovative mAb product in the Group's product pipeline, which has been successively approved for clinical trials in China, the United States, Poland and other EU countries as at the end of the Reporting Period. Steady progress has been made in the clinical trials of HLX10(PD-1) monotherapy and combination therapy with HLX10(PD-1) as the core for the treatment of unresectable or metastatic microsatellite instability-high (MSI-H) solid tumors that fail to respond to the standard therapy and major cancers such as lung, hepatocellular, esophageal, head and neck, and gastric cancer.

  The phase 2 clinical trial of HLX10(PD-1) for indications of unresectable or metastatic microsatellite instability-high (MSI-H) solid tumors that fail to respond to the standard therapy completed enrollment of subjects during the Reporting Period, and reached the primary endpoint for phase 2 clinical trial in March 2021. The Group has currently submitted the new drug application (NDA) of HLX10(PD-1) in mainland China, and it expected that the applications will be accepted in April 2021.

  In addition, a global multi-center phase 3 clinical trial to compare HLX10(PD-1) in combination with chemotherapy (carboplatin nab-paclitaxel) against chemotherapy (carboplatin nab-paclitaxel) as first-line therapy for locally advanced or metastatic squamous non-small cell lung cancer (sqNSCLC) has completed enrollment of subjects. It is expected to submit the new drug application (NDA) in mainland China in the second half of 2021.

3. COMMERCIALIZATION DEPLOYMENT IN INTERNATIONAL MARKETS DURING THE REPORTING PERIOD

During the Reporting Period, the Group adhered to the internationalization strategy and continued to promote the global commercialization deployment. As at the Latest Practicable Date, the Group has signed business cooperation agreements for several products with various international pharmaceutical companies including Accord, Cipla Limited, Biosidus S.A., Jacobson Medical (Hong Kong) Limited, KG Bio, Farma De Colombia S.A.S, Mabxience, Intas, Essex and Binacea, in order to actively promote the global commercialization deployment through strategic commercialization cooperation with the world's leading pharmaceutical companies.

Cooperating with Accord again for 漢曲優® (trastuzumab injection, EU brand name: Zercepac®) in the United States and Canada

In September 2020, the Company and Accord Healthcare Inc. signed a binding summary of terms, based on which the Company agreed to grant a license to Accord Healthcare Inc. (or Intas, its parent company) for the development and commercialization of 漢曲優® (trastuzumab injection, EU brand name: Zercepac®) in the United States and Canada, with the Company to receive a down payment of $27 million, a regulatory milestone payment of up to $13 million, a commercial sales milestone payment of $25 million for each $500 million in cumulative net sales of the licensed product in the Territory, and a tiered royalty of 18% to 50% of the net profit of the licensed product. The formal agreement for the cooperation was duly entered into by the Company and Intas in January 2021.

Reaching global cooperation with Essex for HLX04-O（recombinant humanized anti-VEGF monoclonal antibody injection）for innovative eye indications

In October 2020, the Company signed a joint development and exclusive licensing agreement with Essex Bio-Investment and Zhuhai Essex, (Zhuhai Essex together with Essex Bio-Investment, "Essex") based on which the Company agreed to co-develop HLX04-O (recombinant humanized anti-VEGF monoclonal antibody injection) with Essex for the treatment of wet age-related macular degeneration (wAMD) and other eye diseases, and grant Essex an exclusive license to develop, manufacture and commercialize the licensed product under regulatory scope for worldwide ophthalmic therapeutic uses and/or therapies, and the Company will be entitled to a contract payment of $10 million, a regulatory milestone payment of up to $15 million, a commercial sales milestone payment and a royalty of 6% to 10% of annual net sales based on the fulfillment of net sales.

At present, the incidence of ophthalmic diseases in China is increasing year by year, especially among the middle-aged and elderly patients. About 5 million people in China and as many as 30 million people worldwide suffer from wet age-related macular degeneration. However, drugs to treat wet age-related macular degeneration are not widely available. The launch of HLX04-O (recombinant humanized anti-VEGF monoclonal antibody injection) eye disease treatment product is expected to provide a solution and improve the quality of life for many patients.

In addition, during the Reporting Period, the Company also signed an exclusive license agreement with Mabxience and Binacea for 漢曲優® (trastuzumab injection, EU brand name: Zercepac®) and HLX35 (bispecific antibodies against EGFR and 4-1BB dual targets independently developed by the Company), respectively, based on which the Company will receive a down payment of $5.25 million, a regulatory milestone payment of up to $93.25 million, a commercial sales milestone payment of up to $670.25 million in total, and the corresponding royalty.

(II) Industrialization-based distribution for biomedicines with high economic benefit based on international standards

In order to meet the need for the gradual realization of commercial sales of drug candidates in the product pipeline of the Group, the Group has formulated phased capacity planning for different product development cycles, with an aim to gradually improve and enhance large-scale commercial production capacity based on a sound quality management systems, expand capacity and improve economic cost-effectiveness while maintaining high quality standards. In addition, by optimizing the deployment of production technology, production cost control and other aspects in advance, we created a complete value chain integrating research and development, production and traditional commercialization with a focus on excellent commercialization, which laid a solid foundation for the commercialization of the Group's products in multiple jurisdictions and regions.

The commercial production capacity of Xuhui Facility has been increased to 20,000 liters, and it has passed the dual GMP certification of China and EU

As at the end of the Reporting Period, the Group has established Xuhui Facility, a biopharmaceutical production facility in Shanghai Caohejing Hi-Tech Park, covering a total area of approximately 11,000 square meters, which has been certified with Chinese and EU GMP and is able to meet the short-term production needs of the Group. In July 2020, the filing for a newly added key production equipment license for four 2,000L bioreactors in the Xuhui Facility with Shanghai Municipal Drug Administrative Bureau was completed, and the overall commercial production capacity of the Group was increased to 20,000L. In addition, the Xuhui Facility also improved production efficiency through a series of lean management and process optimization measures during the Reporting Period, which effectively reduced the production costs.

The production capacity construction of 24,000 litres, and the verification of the continuous production pilot plant were completed for the Songjiang First Plant.

In order to further improve medium and long-term capacity planning, the Group has completed production capacity construction of 24,000L for the Songjiang First Plant in Songjiang District, Shanghai, including the formulation filling line, to prepare for meeting the production demand before the Songjiang Second Plant is put into operation. The drug substance production workshop of the Songjiang First Plant started GMP production of clinical samples in May 2020. At present, the four 2,000L bioreactors that passed the commissioning and verification have been used for GMP production of clinical samples. During the Reporting Period, the Group continued to promote the development and industrialization of continuous flow technology in Songjiang First Plant. The construction, commissioning and verification of the continuous production pilot workshop have been completed by the end of the Reporting Period.

The structure of the main production building for the Phase I project of the Songjiang Second Plant, as well as the bidding for major equipment and engineering projects was completed

In order to realize the long-term commercial production capacity planning, the construction of the Phase I project of the Songjiang Second Plant, with a total planned land area of 200 mu, was started in 2019 and is currently under construction. As at the Latest Practicable Date, for the Phase I project of the Songjiang Second Plant, the foundation works and structure of the main production buildings have been completed, the main structure of the main production building has been checked and accepted, and the bidding for major equipment and engineering projects has been completed. The subsequent construction of the Songjiang Second Plant will be gradually implemented in accordance with the Group's strategy.

(III) SUSTAINABLE GLOBAL PRODUCT DEVELOPMENT CAPABILITY

The Group established the product development strategy of "combination of imitation and innovation" when it was founded, and took the lead in launching three monoclonal antibody biosimilar drugs – 漢利康®, 漢曲優® (trastuzumab injection, EU brand name: Zercepac®), and 漢達遠®. On this basis, the Group actively promoted transformation to innovation, accelerated the transformation from biosimilar drugs to innovative drugs, and gradually improved the deployment of the innovation pipeline including HLX10(PD-1). HLX10(PD-1) is the core innovative mAb in the Group's product pipeline, based on which the Group also pioneered the introduction of combined immunotherapy. As at the end of the Reporting Period, HLX10(PD-1) has been successively approved for clinical trials in China, the United States, and EU countries/regions; 10 clinical researches are in the process, including 3 international multi-center clinical trials; and a total of approximately 2,000 subjects have been enrolled in the trials in China, Turkey, Poland, Ukraine, Russia and other countries/regions.

As at the Latest Practicable Date, the Group has established a team with more than 230 highly efficient and experienced global clinical medical staff, to actively promote the clinical research of many candidate drugs across the world. In addition, the Group has the global pharmaceutical administration registration capability. As at the end of the Reporting Period, either the investigational new drug application (IND) or the new drug application (NDA) has been submitted for 23 varieties/projects in China, the United States, the EU, Australia and other countries or regions.

1. CONTINUOUS AND EFFICIENT ADVANCEMENT ON CLINICAL RESEARCH PRODUCTS

As at the Latest Practicable Date, the Group has obtained in total more than 30 clinical trial approvals worldwide, more than a total of 20 clinical trials for 10 products and 8 combination therapies have been carried out in various countries/regions, including China, the EU, the United States, Australia, Ukraine, the Philippines and Turkey.

Progress of international multi-center clinical research projects

- In April 2020, the first patient dosing in Turkey was completed in a phase 3 clinical trial to compare HLX10(PD-1) in combination with chemotherapy (carboplatin nab-paclitaxel) against chemotherapy (carboplatin nab-paclitaxel) as first-line therapy for locally advanced or metastatic squamous non-small cell lung cancer (sqNSCLC); in March 2021, the international multi-center clinical trials completed the enrollment of subjects.

- In April 2020, the first patient dosing in Turkey was completed in a phase 3 clinical trial of HLX10(PD-1) or placebo in combination with chemotherapy (Carboplatin-Etoposide) in previously untreated patients with extensive-stage small cell lung cancer (ES-SCLC).

- In January 2021, the filing of a clinical trial for HLX04-O（recombinant humanized anti-VEGF monoclonal antibody injection）for the treatment of wet age-related macular degeneration (wAMD) was approved by the Therapeutic Goods Administration, Australia, and the phase 3 clinical trial was given permission to commence in Australia; its investigational new drug application (IND) was also approved by the FDA in March 2021. The phase 3 international multi-center clinical trial is intended to be launched soon.

The deployment of international multi-center clinical research is not only conducive to the global market coverage of the Group's products in the future, but also reflects the international market's confidence and recognition of the quality of the Group's products.

Progress of domestic clinical research projects

As at the Latest Practicable Date, smooth progress has been made in all clinical studies of the Group in mainland China.

- In July 2020, the first patient dosing was completed in a phase 2 clinical trial of HLX10(PD-1) in combination with recombinant anti-EGFR humanized monoclonal antibody injection (HLX07) for the treatment of recurrent or metastatic head and neck squamous cell carcinoma (HNSCC) in mainland China.

- In September 2020, the enrollment of patients was completed in a phase 1 clinical trial of HLX10(PD-1) in combination with HLX04.

- In January 2021, the enrollment of subjects was completed in a phase 2 clinical trial of HLX10(PD-1) in combination with HLX04 against advanced hepatocellular carcinoma (HCC).

- In March 2021, the first patient dosing was completed in a Phase 2/3 clinical trial of HLX10(PD-1) in combination with HLX04 and chemotherapy(XELOX) as first-line treatment for metastatic colorectal cancer (mCRC) in mainland China.

- In March 2021, a single-arm, open-label, multicenter and the phase 2 clinical trial of HLX10(PD-1) for the treatment of unresectable or metastatic microsatellite instability-high (MSI-H) or deficient mismatch repair (dMMR) solid tumors that fails to respond to the standard therapy reached the primary endpoint.

- In March 2020, the first patient dosing was completed in a phase 1 clinical trial of HLX55 (HLX55 monoclonal antibody for injection) for the treatment of advanced solid tumors refractory to other standard therapy in Taiwan, China.

- In March 2020, HLX07 (recombinant humanized anti-EGFR monoclonal antibody injection) has demonstrated its good safety and tolerability in a prospective, open-labeled, dose-escalation phase 1 clinical trial designed to assess it in the treatment for metastatic or recurrent epithelial tumors refractory to standard therapy, and the relevant clinical trial report was finished.

- In September 2020, the first patient dosing was completed in the phase 1 clinical trial of HLX11 (recombinant anti-HER2 domain II humanized monoclonal antibody injection) for the treatment of metastatic breast cancer and early breast cancer in mainland China.

- In November 2020, the first patient dosing was completed in the phase 1 clinical trial of HLX14 (recombinant anti-RANKL human monoclonal antibody injection) for the treatment of postmenopausal osteoporosis in women with high fracture risk in mainland China.

2. Efficient advancement on IND application for pre-clinical development projects

During the Reporting Period, the Group continued to increase the pre-clinical project pipeline, and accelerated the submission of investigational new drug application (IND) of 7 pre-clinical research projects covering targets such as CTLA-4, RANKL, DR4, S1 Protein of SARS-CoV-2, CD38, and LAG-3.

- In January 2020, the investigational new drug application (IND) of recombinant anti-CTLA-4 fully human monoclonal antibody injection ("HLX13") for the treatment of unresectable or metastatic melanoma, advanced renal cell carcinoma, microsatellite instability-high or mismatch repair-deficient metastatic colorectal cancer and adjuvant therapy of melanoma was accepted by the NMPA. The application was approved by the NMPA in April 2020.

- In May 2020, the investigational new drug application (IND) of anti-death receptor 4 mAb injection ("HLX56") for the treatment of advanced solid tumors without other standard treatments was approved by the Ministry of Health and Welfare of Taiwan.

- In October 2020, the investigational new drug application (IND) of anti-S1 fully human monoclonal neutralizing antibody ("HLX70") for the treatment of COVID-19 and acute respiratory distress syndrome (ARDS) or multiple organ failure caused by COVID-19 was approved by FDA.

- In November 2020, the investigational new drug application (IND) of ACE2-Fc receptor fusion protein ("HLX71") for the treatment of COVID-19 was approved by FDA. In April 2021, the first patient dosing was completed in a phase 1 clinical trial in the United States.

- In November 2020, the investigational new drug application (IND) of recombinant anti-CD38 human monoclonal antibody injection ("HLX15") for the treatment of multiple myeloma (MM) was accepted by the NMPA. The application was approved by the NMPA in January 2021.

- In January 2021, the investigational new drug application (IND) of recombinant anti-LAG-3 human monoclonal antibody injection ("HLX26") for the treatment of solid tumors and lymphomas was accepted by the NMPA. Those applications were approved by the NMPA in April 2021.

The clinical and pre-clinical application results of the Group from the beginning of 2020 to the Latest Practicable Date:

Product name (reference drugs/ targets)	Indications	Progress as at the Latest Practicable Date
Efficient advancement on international multi-center clinical research projects		
HLX10(PD-1) in combination with chemotherapy (carboplatin-albumin paclitaxel)	squamous non-small cell lung cancer (sqNSCLC)	In April 2020, the first patient dosing in Turkey was completed in a phase 3 clinical trial In March 2021, the enrollment of global subjects was completed in a phase 3 clinical trial
HLX10(PD-1) in combination with with chemotherapy (carboplatin-etoposide)	Extensive stage small cell lung cancer (ES-SCLC)	In April 2020, the first patient dosing in Turkey was completed in a phase 3 clinical trial
HLX04-O（recombinant humanized anti-VEGF monoclonal antibody injection）	wet age-related macular degeneration (wAMD)	In January 2021, the investigational new drug application (IND) was approved by Therapeutic Goods Administration, Australia In March 2021, the investigational new drug application (IND) was approved by FDA
Smooth progress of domestic clinical projects		
HLX10+ HLX07	head and neck squamous cell carcinoma (HNSCC)	In July 2020, the first patient dosing was completed in a phase 2 clinical trial in mainland China
HLX10+ HLX04	Solid tumor	In September 2020, the enrollment of subjects was completed in a phase 1 clinical trial
HLX10+ HLX04	Hepatocellular Carcinoma (HCC)	In January 2021, the enrollment of subjects was completed in a phase 2 clinical trial
HLX10+HLX04	Metastatic colorectal cancer (mCRC)	In March 2021, the first patient dosing was completed in a Phase 2/3 clinical trial in mainland China
HLX10	Solid tumor (MSI-H/dMMR)	In March 2021, the phase 2 clinical trial reached the primary endpoint

Product name (reference drugs/ targets)	Indications	Progress as at the Latest Practicable Date
HLX55 (innovative anti-c-MET monoclonal antibody)	Solid tumor	In March 2020, the first patient dosing was completed in a phase 1 clinical trial in Taiwan, China
HLX07 (modified innovative anti-EGFR monoclonal antibody)	Solid tumor	In March 2020, the relevant clinical research report was completed for the phase 1 clinical trial
HLX11 (pertuzumab)	Breast cancer (BC)	In September 2020, the first patient dosing was completed in a phase 1 clinical trial in mainland China
HLX14 (desumumab)	Osteoporosis (OP)	In November 2020, the first patient dosing was completed in a phase 1 clinical trial in mainland China
Efficient advancement on IND application for pre-clinical development projects		
HLX13 (ipilimumab)	Melanoma, Renal Cell Carcinoma (RCC), Metastatic Colorectal Cancer (mCRC)	In January 2020, the investigational new drug application (IND) was accepted by the NMPA In April 2020, the investigational new drug application (IND) was approved by the NMPA
HLX56 (anti-DR4 monoclonal antibody)	Solid tumor	In May 2020, the investigational new drug application (IND) was approved by the Ministry of Health and Welfare of Taiwan.
HLX70 (anti-S1 fully human monoclonal neutralizing antibody)	COVID-19	In October 2020, the investigational new drug application (IND) was approved by FDA
HLX71 (ACE2-Fc receptor fusion protein)	COVID-19	In November 2020, the investigational new drug application (IND) was approved by FDA In April 2021, the first patient dosing was completed in a phase 1 clinical trial in the United States
HLX15 (daratumumab)	Multiple myeloma (MM)	In November 2020, the investigational new drug application (IND) was accepted by the NMPA In January 2021, the investigational new drug application (IND) was approved by the NMPA
HLX26 (Recombinant anti- LAG-3 human monoclonal antibody injection)	Solid tumor, lymphoma	In January 2021, the investigational new drug application (IND) was accepted by the NMPA In April 2021, the investigational new drug application (IND) was approved by the NMPA

(IV) Social responsibility, environmental policies and performance

Always adhering to the philosophy of "Reliable Quality, Affordable Innovation", the Group actively fulfills its responsibilities to stakeholders such as patients, employees, partners, and communities, committed to providing more affordable biopharmaceuticals to global patients. In terms of social public welfare, the Group and Shanghai Fosun Foundation established the Fosun Foundation Henlius Special Public Welfare Fund to give full play to its industrial advantages and focus on public welfare projects in areas such as health education, patient care and rural doctors. During COVID-19, the Group has successively made donations of materials equivalent to more than RMB1 million to the affected areas, and led a number of units to carry out scientific and research projects against the epidemic. 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.

WARNING STATEMENT REQUIRED BY RULE 18A.05 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED: We may not be able to ultimately develop and market our core products.

II. OUTLOOK FOR 2021

In 2021, the Group will further expand its biopharmaceutical product portfolio covering oncology, auto-immune diseases and more fields, capitalise on the achieved first-entrant advantages to further advance the implementation of the Group's innovative transformation and internationalisation strategy, improve the production base construction, expand production capacity and accelerate the commercialization of more high-quality biological products to benefit more patients worldwide.

(I) Capitalize on first-entrant advantages and increase the global market coverage of products

As one of the leading biomedicine companies in China, the Group actively responds to the national call, cooperates with the national pharmaceutical reform, and provides patients with affordable high quality biological drugs. In addition, based on the patient-oriented principle, the Group has established a comprehensive and efficient business operation model in five segments, including marketing, channel management, pricing and market access, domestic sales and strategic planning, to continuously promote the successful commercialization of more products, so as to improve the accessibility and affordability of biological drugs.

漢曲優® is the anti-cancer core product sold and promoted by the Group's commercialization team in mainland China. Following the launch of 漢曲優® with the dosage form of 150mg in August 2020, supplemental new drug application (sNDA) for the product with the dosage form of 60mg was accepted by the NMPA in October 2020 and it is expected to be approved in the third quarter of 2021. With the launch of 150mg and 60mg dosage forms, we can flexibly meet the clinical medication needs of breast cancer patients with different body weight through more dosage forms, and provide patients with personalized and more economical treatment plans. In 2021, Henlius will continue to actively cooperate with relevant enterprises in terms of medical big data, HER2 testing, innovation payment, patient management and education, doctor education and other aspects, with an aim to consolidate the construction of the diagnosis and treatment ecosystem for HER2-positive patients. On this basis, the Group will constantly strengthen market access, accelerate commercialization and promotion in the domestic market, and drive the market expansion of its products. In 2021, the sales network of 漢曲優® will be further enhanced. The sales team is expected to further expand and reach approximately 320 cities across the country, covering nearly 4,000 DTP pharmacies/hospitals.

In 2021, the Group will continue to strengthen the sales of 漢利康®, capitalize on their first-entrant advantage, maintain close cooperation with Jiangsu Fosun, and focus on the continuous growth of 漢利康® in the field of blood tumors. The release of capacity resulting from the approval of a production capacity of 2,000L during the Reporting Period, as well as the approval of two additional indications, is expected to drive the continued sales growth of 漢利康® and the gradual reduction of production costs, thereby enhancing our market competitiveness. The Group will also promote the approval of the new drug application (NDA) for the rituximab injection for rheumatoid arthritis (RA), so as to improve the market share and penetration of the rituximab injection.

In addition, the Group will continue to cooperate with Jiangsu Wanbang to prepare for the sales of 漢達遠®, and enhance promotion in both the field of rheumatism (for indications of ankylosing spondylitis and rheumatoid arthritis (RA)) and the field of skin (for indications of psoriasis). It is planned to extend the coverage of 漢達遠® to 4,000 specialists and over 5,000 DTP pharmacies/hospitals in 2021, so as to ensure the economic accessibility and channel accessibility of 漢達遠® and achieve the target that patients can purchase the drugs without leaving their own county. On this basis, we will further cooperate with academic organizations and social groups to complete the standardized training for Chinese specialists, and improve patients' self-awareness of the disease, so as to fulfill the mission of 漢達遠® to treat every autoimmune disease patient in China as much as possible.

While actively deploying the domestic market, the Group will continue to promote the business cooperation of self-developed products in the international market. Based on the continuous R&D and registration progress of the Group's product pipeline, as well as the gradual understanding and full recognition of its products in the international market, the Group will continue to actively explore the global market and seek strategic cooperation with more leading international pharmaceutical companies in 2021, with an aim to jointly promote the global registration and clinical research of projects and extend the coverage of its products to a broader international market, especially the emerging markets where there is a huge unmet demand for affordable drugs, through the influence of the international strategic partners, thus benefiting overseas patients.

(II) CONTINUE TO COMMERCIALIZE MORE PRODUCTS

HLX04 (RECOMBINANT HUMANIZED ANTI-VEGF MONOCLONAL ANTIBODY INJECTION) BIOSIMILAR OF BEVACIZUMAB

HLX04 biosimilar of bevacizumab is independently developed by the Group. Different from the biosimilar drugs of bevacizumab currently on the market in China, metastatic colorectal cancer (mCRC) was selected in the design of a phase 3 comparative study on the clinical efficacy and safety of HLX04 biosimilar of bevacizumab. It is the only biosimilar drug of bevacizumab with clinical data of metastatic colorectal cancer in China, and more the clinical data and experience can be accumulated for the application of bevacizumab in colorectal cancer patients in China. It is expected that the new drug application (NDA) of HLX04 biosimilar of bevacizumab will be approved in the fourth quarter of 2021. Given the fact that a new indication of glioma (GBM) was added for the original drug Bevacizu monoantigen in China in 2020, the Group also plans to start the supplemental new drug application (sNDA) after the launch of HLX04 biosimilar of bevacizumab.

RITUXIMAB FOR RHEUMATOID ARTHRITIS (RA) INDICATIONS

The rituximab injection for a new indication of rheumatoid arthritis (RA) was independently developed by the Group with a differentiated strategy. The new drug application (NDA) of the injection for a new indication of rheumatoid arthritis (RA) was accepted by the NMPA in December 2020. It is expected to give full play to the clinical potential of the rituximab injection in the field of rheumatic immunity. The rituximab injection has the advantages of low frequency of administration and long duration of drug effectiveness, which is expected to improve patients' medication compliance, effectively improve the quality of life of patients and reduce the medical burden of patients. The Group will actively promote the approval of new drug application (NDA) of rituximab injection for the treatment of rheumatoid arthritis (RA) indication, and it is expected that it will be approved by the end of 2021 or in the first half of 2022.

Progress on the approval of HLX10(PD-1)

HLX10(PD-1) is the core innovative monoclonal antibody product in the Group's product pipeline, and the related production and R&D are in strict compliance with international quality standards. As at the end of the Reporting Period, clinical trials of two HLX10(PD-1) monotherapies and 8 combination therapies with HLX10(PD-1) at their core have been carried out in many countries and regions around the world. In addition, the business cooperation for HLX10(PD-1) in 10 countries in Southeast Asia based on the cooperation agreement entered into with KG Bio in 2019 will be further carried out following the approval of the product. The Group will make best efforts to promote the new drug application (NDA) of HLX10(PD-1) for indications of unresectable or metastatic microsatellite instability-high (MSI-H) solid tumors that fail to respond to the standard therapy. The Group has currently submitted the new drug application (NDA) of HLX10(PD-1) in mainland China, and it expected that the applications will be accepted in April 2021. In addition, the Group is expecting to submit the new drug application (NDA) of indication of HLX10(PD-1) combining chemotherapy (carboplatin-albumin paclitaxel) in first-line treatment of locally advanced or metastatic squamous non-small cell lung cancer (sqNSCLC) in mainland China in the second half of 2021. The commercialization strategy formulation and market deployment in various therapeutic fields of HLX10(PD-1) will be promoted simultaneously.

(III) Continue to build innovative product pipeline through independent R&D and introduction of external licenses

1. Continuous independent innovation research and development based on its own rich pipelines

In 2021, the Group will, by making full use of international resources and advantages and following the international frontier trend, expand and enrich the product targets, optimize the development platform of dual specific antibodies, and continue to create a high-quality, affordable and differentiated innovative product pipeline, in order to promote innovative drug R&D, achieve commercialization excellence, and truly meet the needs of patients and the market. It is expected that the new drug application (NDA) of Group's independently developed core product innovative drug HLX10(PD-1) for the indication of unresectable or metastatic microsatellite instability-high (MSI-H) solid tumors that fail to respond to the standard therapy will be accepted in April 2021. It is expected that the new drug application (NDA) of the indication of HLX10(PD-1) combining chemotherapy as first-line therapy for locally advanced or metastatic squamous non-small cell lung cancer (sqNSCLC) will be submitted in the second half of 2021. In addition, it is expected that the HLX10(PD-1) based clinical trial of tumor immunocombination therapy for indications of squamous non-small cell lung cancer, non-squamous non-small cell lung cancer, extensive stage small cell lung cancer, esophageal squamous cell carcinoma, gastric cancer, hepatocellular carcinoma, and squamous cell carcinoma will be further promoted in 2021. Among them: five indications are currently in phase 3 clinical studies (four of which are expected to have the subjects enrolled for the phase 3 clinical trials in 2021); three indications are currently in phase 2 clinical studies (the application for the phase 3 clinical trials of one of the indications is expected to be submitted this year). The Group will continue to promote the further development of the research, the release of relevant clinical trial data at important international industry conferences (including ESMO, ASCO, etc.) and the subsequent application for product marketing.

While rapidly advancing the clinical trials of drug candidates in the pipeline, the Group will continue to efficiently advance the pre-clinical development process of products under research, promote the global registration and approval of products in the pipeline, including several innovative monoclonal antibody, dual clonal antibody and antibody-drug conjugates (ADC) products, and carry out the corresponding clinical research plans. During the Reporting Period, HLX71, the Group's self-developed ACE2-Fc fusion proteins product against COVID-19 was approved as a COVID-19 Emergency Response Project under the "Public Safety Risk Prevention and Control and Emergency Response Technology and Equipment" of the key R&D program of China, and was approved for a new drug clinical trial by FDA. The first patient dosing was currently completed in a phase 1 clinical trial in the United States. The Company will continue to promote the implementation of the relevant clinical trials, with an aim to contribute Chinese efforts to the global fight against the pandemic.

2. License introduction and cooperative development

In order to actively deploy the pipeline of innovative products, the Group plans to accelerate the expansion of innovative potential targets, antibody-drug conjugates (ADC) products and oncolytic virus products through the introduction of licensing projects. Relying on the Group's rich experience in target development and integrated R&D platforms, we will actively develop more innovative products for the market based on the introduction of projects, and seek synergies between them and the existing pipeline of innovative products. In January 2021, the Company signed an exclusive license agreement with Chiome Bioscience, Inc. to introduce antibodies against human TROP2 (Trophoblast cell-surface antigen 2) and the relevant intellectual property in the research, development, production and commercialization in China (including Hong Kong, Macau and Taiwan). TROP2, expressed in triple negative breast cancer, non-small cell lung cancer, urothelial carcinoma and many types of solid tumors, is expected to be a therapeutic target with broad spectrum anti-tumor effects, and has the potential of development in the direction of antibody conjugated drugs (ADC), bispecific antibodies and combination therapy. In March 2021, the Company entered into binding term sheet with NeuPharma to introduce an exclusive license to develop, manufacture, commercialize and sublicense of small-molecule inhibitor targeting V600E mutation in human BRAF protein in China (including Hong Kong, Macau and Taiwan). The product has brand-new chemical parent nucleus structures, and preclinical study results show that it has outstanding tumor suppression activity and sound safety. In addition, the Group also plans to share costs and risks with partners through cooperative development, and explore more innovative possibilities based on clinical needs by leveraging the strengths and expertise of their respective fields of expertise.

(IV) Maintain high quality standards and continue to promote industrialization deployment

The Group will complete the construction of production base and the expansion of production capacity according to the planning and the product R&D and marketing process, in order to provide a strong guarantee for the continuous commercial sales of products and realize the efficient utilization of production capacity. Xuhui Facility has made initial progress in improving production efficiency and reducing production costs during the Reporting Period through a series of lean management and process optimization initiatives. The relevant measures will be further enhanced in 2021. In addition, Xuhui Facility also plans to add a prefilled needle production line in 2021, with installation and commissioning to be completed by the end of 2021, to provide further supply for the short-term market demand of our marketed products.

As at the Latest Practicable Date, production capacity construction of 24,000L at the Songjiang First Plant has been completed, and the four 2,000L bioreactors that passed the commissioning and verification have been used for GMP production of clinical samples. The remaining eight 2,000L bioreactors are scheduled to complete process validation for commercial production in the first half of 2021. In addition to production capacity construction, it is planned that the continuous production pilot workshop of the Songjiang First Plant shall complete the continuous production of at least two products within 2021, in order to ensure the production efficiency and quality for the future large-scale commercial production.

To achieve the long-term capacity planning, we will continue to promote the construction of the Songjiang Second Plant, in order to enhance the overall production capacity of the Group. As at the Latest Practicable Date, for the Phase I project of the Songjiang Second Plant, the main production buildings are expected to be completed and put into trial production and subject to relevant verifications in 2021. The Group will promote the construction and operation of the Songjiang Second Plant as soon as possible. When completed, the Songjiang Second Plant will become the monoclonal antibody biological drug research and development, pilot test and production base of the Group. This will further enhance the market competitiveness of the Group in its core business areas and meet the global commercial production needs of the Group's biosimilar and bioinnovative pharmaceutical products.

III. FINANCIAL REVIEW

(I) REVENUE

In 2020, COVID-19 brought certain challenges to the overall operation of the Group. The Group promptly took epidemic prevention measures to protect the safety of employees, and tried its best to coordinate various departments to take flexible arrangements to maintain normal operation, in order to ensure the on-time achievements of all work targets and the normal supply of medication for patients.

During the Reporting Period, despite the impact of COVID-19, the Group successfully marketed two independently developed monoclonal antibody biosimilar drugs with great market potential: 漢曲優® and Zercepac®, 漢達遠®. Zercepac® and 漢曲優® were approved for marketing by the European Commission and the NMPA in July and August 2020 respectively, becoming the first China-developed monoclonal antibody biosimilar medicine approved in both China and the EU. As at the end of the Reporting Period, the Group had successfully marketed three independently developed monoclonal antibody biosimilar drugs to serve patients, including the first domestic biosimilar drug 漢利康® marketed by the Group in 2019.

At the same time, the Group made active deployment in the domestic and international markets, in order to maximize overall business marketing growth through multiple channels of cooperation with a number of business partners. We plan to work with business partners to promote our product brand awareness and open technology platform, communicate with the market on the Group's key technology, operational and business improvement strategies to further develop existing and potential customers, and develop them into active two-way communication customers with the Group. In addition, the Group actively explored the multi-dimensional business marketing model, further developed the marketing potential and increased sales revenue through cooperative development with business partners and technology transfer/licensing.

During the Reporting Period, the Group realized an operating income of RMB587.6 million, representing an increase of 546% compared to last year, and the main revenue components are as follows:

1) REVENUE FROM CHINESE MARKET:

漢利康®, the first domestic biosimilar drug independently developed by the Group, was commercialized in 2019. In order to further consolidate and strengthen the first-mover advantage of 漢利康® in the domestic market, we actively promoted the commercial development of 漢利康® through the strong market access and sales network of Fosun Pharma. According to the cooperation agreement with Fosun Pharma, Fosun Pharma will reimburse all the expenses related to the clinical trials of 漢利康® incurred by the Group after the relevant cooperation agreement is signed, while the Group is responsible for the production of 漢利康® in China and the supply of 漢利康® to Fosun Pharma, and shall share the profits from the sales of 漢利康® in China. For the year ended 31 December 2020, the shipment volume of 漢利康® amounted to approximately 720,000 (among which, the shipment volume in the second half of the year amounted to approximately 520,000). The retail price is RMB1,398 per article. Meanwhile, the Group realized sales revenue of approximately RMB288.2 million and licensing revenue of approximately RMB10.4 million for the 漢利康® during the Reporting Period under the aforementioned profit sharing arrangement with its partners.

漢達遠®, a biosimilar drug independently developed by the Group, was approved by the NMPA for market in December 2020. The Group has reached a commercialization agreement with Fosun Pharma to promote the commercial development of 漢達遠® by fully relying on the successful experience of Fosun Pharma, which has been deeply engaged in the field of rheumatic immunity for many years. According to the cooperation agreement with Fosun Pharma, Fosun Pharma will reimburse all the expenses related to the clinical trials of 漢達遠® incurred by the Group after the relevant cooperation agreement is signed. After the commercialization of 漢達遠®, the Group will be responsible for the production of 漢達遠® in China and the supply of 漢達遠® to Fosun Pharma, and shall share the profits from the sales of 漢達遠® in China. In December 2020, the Group realized sales revenue of approximately RMB1.2 million and licensing revenue of approximately RMB0.4 million for the 漢達遠® under the aforementioned profit sharing arrangement with its partners.

漢曲優®, a biosimilar drug of monoclonal antibody independently developed by the Group, which has great market potential, began to be commercialized in the domestic market in August 2020. Based on the long-term development strategy of the Group, we mainly commercialized 漢曲優® through our own team. By the end of December 2020, a highly efficient and experienced commercialization team consisting of nearly 400 professionals has been established to effectively promote the commercialization process of 漢曲優®, realizing steady sales growth of the product. As at the end of the Reporting Period, the Group has realized sales revenue of approximately RMB109.5 million for 漢曲優®.

2) Revenue from international market

In order to better develop the international market and bring high-quality and low-cost treatment solutions to patients around the world, the Group actively practiced a comprehensive international research and development and operation strategy, and promoted the commercialization of its products in the international market by entering into strategic commercialization cooperation with international leading pharmaceutical companies. In July 2020, the marketing authorization application (MAA) of Zercepac® submitted by a wholly-owned subsidiary of Accord was approved. Since then, Zercepac® can be marketed in all EU Member States as well as in Iceland, Liechtenstein and Norway (each in the European Economic Area (EEA)) with the centralized marketing license. From the beginning of its commercialization in the international market in 2020 to 31 December 2020, the Group realized revenue of approximately RMB26.6 million for Zercepac®.

3) Joint development and technology transfer/commercialization licensing revenue

During the Reporting Period, the Group also carried out business cooperation with many partners around the world based on various projects, including intellectual property licensing, joint development, commercialization licensing, etc.

In June 2018, the Group entered into a license agreement with Accord in relation to Zercepac®, granting Accord exclusive commercial rights in special territories as agreed therein. In July 2020, the marketing authorization application (MAA) of Zercepac® submitted by a wholly-owned subsidiary of Accord was approved. Since then, Zercepac® can be marketed in all EU Member States as well as in Iceland, Liechtenstein and Norway (each in the European Economic Area (EEA)) with its centralized marketing license. For the year ended 31 December 2020, the Group realized licensing revenue and revenue from R&D services of approximately RMB85.6 million.

In September 2019, the Group entered into a collaborative research, development and commercialization agreement with KG Bio for HLX10, a biologically innovative anti-PD-1 mAb in which the Group has exclusive patent and technical expertise. With the continued performance of R&D services, the Group has recognized revenue from R&D services of approximately RMB19.3 million for the year ended 31 December 2020.

In September 2020, the Group entered into a co-development and exclusive license agreement with Essex in relation to HLX04-O（recombinant humanized anti-VEGF monoclonal antibody injection）independently developed by the Group. The Group has recognized licensing revenue and revenue from R&D services of approximately RMB45.0 million for the 12 months ended 31 December 2020.

(II) Cost of Sales

The Group's cost of sales primarily represents reagents and consumables, employee compensation, outsourcing expenses, utilities expenses and depreciation and amortisation, etc. During the Reporting Period, the Group recorded cost of sales of RMB182.1 million, representing an increase of approximately RMB110.3 million as compared with that for the year ended 31 December 2019, which was due to the increase of the production cost of the key commercial products.

(III) Gross profit

During the Reporting Period, the Group recorded a gross profit of RMB405.5 million, representing an increase of approximately RMB386.4 million, or 2,022% as compared with that for the year ended 31 December 2019, mainly due to the gross profit contribution of the Company's key commercial products.

(IV) Other income and gains

Other income and gains of the Group mainly included government grants and bank interest income. Government grants included (1) government grants 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 RMB43.7 million.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Government grants	**35,393**	7,448
Interest income	**7,404**	16,062
Others	**940**	1,164
Total	**43,737**	24,674

(V) R&D expenditure

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Expensed R&D expenses		
Share-based compensation	**11,147**	68,333
R&D employee salaries	**251,886**	182,910
Outsourcing fees	**138,320**	62,759
Reagents and consumables	**119,466**	83,266
Utilities expenses	**53,564**	7,308
Depreciation and amortisation	**43,334**	45,637
Consulting expense	**15,153**	16,176
Clinical trials	**154,215**	107,595
Others	**107,059**	33,843
Total expensed R&D expenses	**894,144**	607,827
Capitalised R&D expenses		
Clinical trials	**545,992**	517,194
R&D employee salaries	**131,174**	107,098
Reagents and consumables	**60,735**	30,199
Depreciation and amortisation	**10,693**	31,125
Utilities expenses	**21,302**	4,310
Outsourcing fees	**26,255**	47,427
Share-based compensation	**9,268**	26,517
Others	**11,342**	35,067
Total capitalised R&D expenses	**816,761**	798,937

During the Reporting Period, the Group recognised R&D expenditure of approximately RMB1,710.9 million, representing an increase of approximately RMB304.1 million or approximately 22% as compared with approximately RMB1,406.8 million for the year ended 31 December 2019. The increase in our research and development expenditure was mainly due to: (1) the increases in clinical trial expenses and costs of preclinical 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 Reporting Period, the Group recognised administrative expenses of approximately RMB192.6 million, representing an increase of 10% as compared to that of approximately RMB174.8 million for the year ended 31 December 2019. 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.

(VII) Selling and distribution expenses

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

During the Reporting Period, the Group recognised selling and distribution expenses of approximately RMB243.6 million, which were mainly the marketing expenses incurred in the marketing and commercialization of 漢曲優® products.

(VIII) Other expenses

During the Reporting Period, the Group incurred other expenses of RMB68.6 million, representing an increase of RMB32.0 million from RMB36.6 million for the year ended 31 December 2019. Such other expenses comprised exchange loss of RMB59.8 million due to the fluctuation of the foreign-currency exchange rates and RMB7.6 million mainly related to donations to various charitable organisations and provisions of RMB1.2 million for inventory impairment.

(IX) Income tax expenses

During the Reporting Period, the Group did not incur any income tax expenses.

(X) Loss for the year

In view of the above, the Group's loss increased by approximately RMB118.0 million from approximately RMB875.5 million for the year ended 31 December 2019 to approximately RMB993.5 million for the year ended 31 December 2020.

(XI) Liquidity and capital resources

As at 31 December 2020, the cash and cash equivalents of the Group were approximately RMB1,114.3 million, mainly denominated in Renminbi ("RMB"), United States Dollars ("USD"), New Taiwan Dollars ("NTD"), Hong Kong Dollars ("HKD") and Euro, where such decrease was mainly due to the daily R&D and manufacturing overhead. As of 31 December 2020, the current assets of the Group were approximately RMB1,910.0 million, including cash and cash equivalents of approximately RMB1,114.3 million. There is no pledged deposits.

The inventories were approximately RMB305.2 million, trade receivables were approximately RMB196.2 million, prepayments, deposits and other receivables were approximately RMB294.2 million. As at 31 December 2020, the current liabilities of the Group were approximately RMB1,979.5 million, including trade and bills payables of approximately RMB299.0 million, other payables and accruals of approximately RMB439.8 million and interest-bearing bank borrowings and other borrowings of approximately RMB1,188.5 million.

As at 31 December 2020, the foreign exchange bank balances of the Group are as follows:

	RMB'000
RMB	251,058
HKD	1,254
USD	857,336
Euro	1,507
NTD	3,154

	Original amount
RMB	251,058
HKD	1,490
USD	131,333
Euro	188
NTD	13,590

(XII) INVENTORIES

Inventories of the Group increased from approximately RMB129.9 million as at 31 December 2019 to approximately RMB305.2 million as at 31 December 2020, mainly due to the increased purchases of raw materials and consumables in order to facilitate the clinical trial and commercialised production.

(XIII) TRADE RECEIVABLES

As at 31 December 2019 and 31 December 2020, trade receivables from customer contracts were approximately RMB29.8 million and RMB196.2 million, respectively. There are no changes in accounting estimates or material assumptions made in both years.

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within 3 months	196,213	29,830
3 to 6 months	–	–
6 to 9 months	–	–
9 to 12 months	–	–
1 to 2 years	–	–
Total	196,213	29,830

(XIV) INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 31 December 2020, borrowings from bank and other institutions (exclusive of lease liabilities) of the Group were approximately RMB1,540.6 million. The Group incurred new borrowings for the following reasons: ongoing clinical research trials and preclinical research for drug candidates, commercialisation of products and normal operating expenses. The borrowings of the Group were denominated in RMB, USD and NTD.

Such borrowings bear interest at fixed annual and floating interest rates. There is no significant seasonal impact on the Group's borrowing requirements.

(XV) MATURITY STRUCTURE OF OUTSTANDING DEBTS

The following table sets forth the maturity structure of outstanding debts as at 31 December 2020 and 31 December 2019, of which lease liabilities were initially recognised upon the adoption of IFRS 16 – Leases on 1 January 2017.

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within one year	**1,188,486**	278,241
In the second year	**82,089**	206,418
In the third to fifth year (inclusive)	**320,792**	96,153
Over five years	**242,250**	28,577
Total	**1,833,617**	609,389

(XVI) COLLATERAL AND PLEDGED ASSETS

As at 31 December 2020, the Group's pledged assets in relation to borrowings included trade receivables and other receivables of approximately RMB9.6 million and land use right of approximately RMB205.3 million.

(XVII) KEY FINANCIAL RATIOS

	31 December 2020	31 December 2019
Current ratio[(1)] :	**96.5%**	277.3%
Quick ratio[(2)] :	**81.1%**	263.7%
Gearing ratio[(3)] :	**18.4%**	N/A[(4)]

Notes:

(1) Current ratio is calculated as current assets divided by current liabilities as at 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 as the Group's balance of cash and cash equivalents exceeded the Group's total indebtedness on that date.

(XVIII) MATERIAL INVESTMENT

In order to satisfy the expected market demand for 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. This project is expected to become the monoclonal antibody biological drug research and development, pilot test and production base of the Group when completed, which is conducive to further strengthening the Group's research and development capabilities in the field of biomedicine (especially monoclonal antibody biomedicine) and meeting the global commercial production needs of the Group's biosimilar and bioinnovative products.

The Company is expected to invest not more than RMB1.72 billion for the construction of the Phase I project of the Songjiang Second Plant (first stage and second 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 the Songjiang Second Plant will be mainly funded through debt financing.

Save as disclosed in this report, as at 31 December 2020, the Group did not make other significant investments.

(XIX) CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Plant and machinery	**170,240**	146,439
Construction in progress	**274,769**	36,143
Electronic equipment	**15,822**	15,990
Leasehold improvements	**106,058**	32,686
Others	**473**	–
Total	**567,362**	231,258

We had capital commitments for plant and machinery contracted but not provided for of RMB697.8 million as at 31 December 2020. These capital commitments primarily relate to expenditures expected to be incurred for the purchase of machinery, renovation of our existing laboratories and buildings and the R&D cost to be capitalised.

(XX) CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.

(XXI) MATERIAL ACQUISITIONS AND DISPOSALS

As at 31 December 2020, the Group did not have any material acquisitions and disposals.

(XXII) DIVIDENDS

The Company did not pay or declare any dividend for the Reporting Period.

IV. RISK MANAGEMENT

(I) FOREIGN EXCHANGE RISK

Up until 31 December 2020, the Group was principally engaged in business in the PRC, in which most of the transactions were 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. With the acceleration of the Group's development in overseas markets, it is expected that 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 commercialized products and products that may be commercialized in the future face competition from pharmaceutical companies around the world in respect of various factors such as treatment indication, drug novelty, drug quality and reputation, breadth of 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 promote new products and technologies that meet market needs in a manner to capture market share. At the same time, in October 2020, in the "Response to the Recommendation of No. 6450 of the Third Session of the 13th NPC", the National Healthcare Security Administration stated that centralized volume-based procurement will commence at an appropriate time, after considering the factors of the biosimilar similarity, production capacity and supply chain stability of companies and the clinical substitutability of specific products. Currently, biosimilar is not yet included in the drug application of centralized drug procurement. If any products are included in the centralized volume-based procurement in the future, our rivals (if they are evaluated on equivalence) may also choose to participate in tenders and be included in centralized procurement, hence bringing potential impact on the pricing of the drugs.

2. Business and Operational Risk

The global biologics market is constantly evolving, and the Group invests significant amounts of human and capital resources for R&D, to develop, enhance or acquire technologies that will allow the Group to expand the scope and improve the quality of the services. The currently available products of the Group include: 漢利康®，漢曲優® (trastuzumab injection, EU brand name: Zercepac®) and 漢達遠®. Most of the Group's drug candidates are still 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, as there can be no assurance from the Group of the development and clinical results. Furthermore, if the clinical development and regulatory approval process of the drug candidates are delayed or terminated, the successful development and commercialisation of the Group's drug candidates in a timely manner may be adversely affected.

3. Potential Risks of Novel Coronavirus

After the outbreak of COVID-19, the Group immediately adopted anti-epidemic measures, to secure employees' safety and guarantee to carry out a variety of work duties in an orderly manner. Despite the weakened impact of COVID-19 on the Group's operations in China in the second half of 2020, there are still uncertainties about its impact on China and the world in the future. The epidemic of COVID-19 may have potential impacts on the Group's business, including but not limited to commodity sales, the hiring of staff for clinical trials and staff's involvement, 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 2020:

Function	Number of employees
Management and administrative	203
R&D	351
Quality and technical support	256
Manufacturing	437
Clinical medical affairs	231
Commercial Operation	395
Total	**1,873**

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 are in line with industry norms. 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 and 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 DIRECTORS

The Board is pleased to present its 2020 annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in (i) 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 2020 are set out in the Consolidated Statement of Profit or Loss on page 78.

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

PROFIT DISTRIBUTION PLAN

The Company 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 and dividend 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 profit distribution plans. 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 12 to 36, 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 herein to other sections or reports in this annual report form part of this Report of the Directors.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The notice of the forthcoming annual general meeting 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 annual general meeting to be issued.

SUMMARY OF 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 2020 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 2020, the total amount of RMB205.3 million in right-of-use asset was pledged to banks as loan security (31 December 2019: Nil). There is no property, plant and equipment, which was pledged to banks as loan security (31 December 2019: RMB117.7 million) in this year.

Details of collateral and pledged assets are set out in the section headed "Collateral and Pledged Assets" on page 33 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital 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 Reporting Period, 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 2020, 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 to the financial statements on page 81.

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 78.7% of total revenue of the Group. The aggregate amount of revenue attributable to the Group's largest customer was 46.5% of total revenue of the Group.

During the Reporting Period, other than Jiangsu Fosun and Fosun Pharma Industrial Development (each a wholly-owned subsidiary of Fosun Pharma), to the knowledge of the Directors, none of the Directors, 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 Company.

DIRECTORS

Unless otherwise stated, the following is the list of Directors during the Reporting Period and as of the Latest Practicable Date:

EXECUTIVE DIRECTORS

Mr. Wenjie Zhang *(appointed on 19 November 2020, Chief Executive Officer)*
Dr. Scott Shi-Kau Liu *(resigned on 30 September 2020)*

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
Dr. Lik Yuen Chan
Dr. Guoping Zhao
Dr. Ruilin Song

SUPERVISORS

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

Ms. Rongli Feng *(Chairman) (appointed on 23 May 2020)*
Mr. Deli Kong
Ms. Junhong Liu *(appointed on 31 December 2020)*
Mr. Yong Zhou *(Chairman) (resigned on 19 February 2020)*
Ms. Kun Dai *(Chairman) (resigned on 23 May 2020)*
Ms. Jingyi Wang *(resigned on 31 December 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 65 to 72 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 36 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 any time during the Reporting Period or at the end of 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 contributes a 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 pension cost paid by the Group during the Reporting Period was RMB15.9 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 any time during the Reporting Period or at the end of 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 POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, none of the Directors/Supervisors and chief executives of the Company has interest and short positions in the shares of the Company, or short positions in the 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 underlying shares and debentures of any of its associated corporations of the Company 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:

INTEREST IN SHARES OF THE ASSOCIATED CORPORATION

Name	Name of the associated corporation	Nature of interest and capacity	Class	Number of Shares	Approximate percentage in total Shares
Qiyu Chen	Fosun International	Beneficial owner	Ordinary share	19,078,000	0.23%
	Fosun International	Beneficial owner	Share option	1,500,000	0.02%
	Fosun Pharma	Beneficial owner	A Shares	114,075	0.01%
	Fosun Tourism Group	Beneficial owner	Ordinary share	1,478	0.00%
Yifang Wu	Fosun Pharma	Beneficial owner	H Shares	342,000	0.06%
	Fosun Pharma	Beneficial owner	A Shares	718,900	0.04%
Xiaohui Guan	Fosun Pharma	Beneficial owner	A Shares	181,000	0.01%
Deli Kong	Fosun Pharma	Beneficial owner	A Shares	8,500	0.00%

Save as disclosed in the foregoing, during the Reporting Period, 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 OF THE COMPANY

As at 31 December 2020, the following persons (other than the Directors/Supervisors or chief executive of the Company) had the following interests and/or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO:

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 in controlled entity	Domestic Shares	265,971,569	73.03%	48.94%
Fosun Pharma[2]	Interest in controlled entity	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	12,298,639	7.53%	2.26%
Fosun High Tech[3]	Interest in controlled entity	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	12,298,639	7.53%	2.26%
Fosun International[4]	Interest in controlled entity	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	12,298,639	7.53%	2.26%
FHL[5]	Interest in controlled entity	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	12,298,639	7.53%	2.26%
FIHL[6]	Interest in controlled entity	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	12,298,639	7.53%	2.26%
Guangchang Guo[7]	Interest in controlled entity	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	12,298,639	7.53%	2.26%
Fosun Industrial	Beneficial owner	H Shares	9,106,300	5.57%	1.68%
	Security interest	H Shares	3,192,339	1.95%	0.59%
Al Rayyan Holding LLC	Beneficial owner	H Shares	11,370,960	6.96%	2.09%
Qatar Holding LLC[8]	Interest in controlled entity	H Shares	11,370,960	6.96%	2.09%
Qatar Investment Authority[8]	Interest in controlled entity	H Shares	11,370,960	6.96%	2.09%
DIC Holding LLC	Beneficial owner	H Shares	2,842,740	1.74%	0.52%
Qatar Investment Authority (in the capacity of investment manager of DIC Holding LLC)[9]	Interest in controlled entity	H Shares	2,842,740	1.74%	0.52%
Cayman Henlius[10]	Beneficial owner	H Shares	51,877,060	31.74%	9.55%
Wei-Dong Jiang[11]	Beneficial owner	H Shares	686,455	0.42%	0.13%
	Interest in controlled entity	H Shares	51,877,060	31.74%	9.55%
Scott Shi-Kau Liu[12]	Beneficial owner	H Shares	2,410,695	1.48%	0.44%
	Interest in controlled entity	H Shares	51,877,060	31.74%	9.55%

Notes:

(1) As at 31 December 2020, 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 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 2020, 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 2020, Fosun High Tech held approximately 38.62% 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 2020, 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 2020, FHL directly held approximately 71.74% 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 2020, 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 2020, 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 2020, Al Rayyan Holding LLC was wholly owned by Qatar Holding LLC, which was wholly owned by Qatar Investment Authority. Qatar Holding LLC and Qatar Investment Authority were deemed to be interested in the H Shares which Al Rayyan Holding LLC was interested in.

(9) As at 31 December 2020, DIC Holding LLC was wholly owned by Qatar Investment Authority (in the capacity of investment manager of DIC Holding LLC). Qatar Investment Authority (in the capacity of investment manager of DIC Holding LLC) was deemed to be interested in the H Shares which DIC Holding LLC was interested in.

(10) As at 31 December 2020, 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 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.

(11) As at 31 December 2020, 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.

(12) As at 31 December 2020, 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.

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 2020, had an interest or short position 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 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 Group.

SHARE OPTION SCHEME

For the year ended 31 December 2020, the Company did not have any share option scheme.

SHARE AWARD SCHEME

On 10 December 2020, the Company amended the terms of the 2018 Share Award Scheme. The major amendments relate to, among other things, the transfer restrictions on incentive shares and the special adjustment mechanism. Details of the 2018 Share Award Scheme and amendments to the 2018 Share Award Scheme are set out in notes 30 to the financial statements.

In addition, on 10 December 2020, the Company adopted 2020 Share Award scheme as certain participants in the 2018 Share Award Scheme were no longer employed by the Group and had to assign their Restricted Interests under the 2018 Share Award Scheme. The 2020 Participants will acquire the Restricted Interests from the Resigned 2018 Participants. Details of the amendments to the 2020 Share Award Scheme are set out in notes 30 to the financial statements.

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 best knowledge of the Directors, 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 RMB7.6 million.

CONTINUING CONNECTED TRANSACTIONS

Framework property leasing agreement

On 31 December 2019, the Company entered into a Framework Property Leasing Agreement with Clone High Tech, a wholly-owned subsidiary of Fosun Pharma, pursuant to which, the Group has agreed to lease premises to 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 a 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.

PROMOTIONAL SERVICES AGREEMENT

On 24 August 2020, Henlius Biopharmaceuticals, a wholly-owned subsidiary of the Company, entered into the Promotional Services Agreement with Jiangsu Fosun to engage Jiangsu Fosun to provide promotional services to the Group in relation to the Group's 漢曲優® (trastuzumab injection, EU brand name: Zercepac®) for the year of 2020. As the Group intends to continue to engage Jiangsu Fosun to provide the promotional services, Henlius Biopharmaceuticals entered into a supplemental agreement to the Promotional Services Agreement with Jiangsu Fosun on 31 December 2020, to extend the term of the Promotional Services Agreement for a further term from 1 January 2021 to 30 June 2022.

Jiangsu Fosun is a wholly-owned subsidiary of Fosun Pharma (a controlling shareholder of the Company), therefore, Jiangsu Fosun is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the transactions under the Promotional Services Agreement (as amended) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The maximum transaction amount (on a tax-exclusive basis) to be paid by the Group to Jiangsu Fosun under the Promotional Services Agreement (as amended) for the year ending 31 December 2021 and the six months ending 30 June 2022 will not exceed RMB6,480,000 and RMB4,800,000, respectively.

ADMINISTRATIVE FRAMEWORK AGREEMENT

On 24 June 2020, the Company entered into the Administrative Framework Agreement with Fosun High Tech to set out the framework terms governing the procurement of services and products for administrative purposes, including without limitation, office supplies, employee medical benefits and personnel training services between the Group and the Remaining Fosun High Tech Group. As the expiry date of the Administrative Framework Agreement is 31 December 2020, the Company renewed the Administrative Framework Agreement for a further term of one year from 1 January 2021 to 31 December 2021 on 31 December 2020.

Fosun High Tech was interested in approximately 38.62% of the total issued ordinary share capital of Fosun Pharma, which in turn indirectly held approximately 55.01% of the Shares of the Company in issue as at 31 December 2020. Accordingly, each of Fosun High Tech and Fosun Pharma is a controlling shareholder of the Company. Therefore, the transactions under the Administrative Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The maximum transaction amount (on a tax-exclusive basis) to be paid by the Group to the Remaining Fosun High Tech Group under the Administrative Framework Agreement for the year ending 31 December 2020 and for year ending 31 December 2021 will not exceed RMB4,500,000 and RMB4,000,000.

SINOPHARM PROCUREMENT FRAMEWORK AGREEMENT

On 24 April 2020, the Company entered into the Sinopharm Procurement Framework Agreement to procure (i) warehousing and logistics services, and (ii) raw materials, including reagent, from Sinopharm Group and will expire on 31 December 2022. The term of Sinopharm Procurement Framework Agreement is automatically renewed for a successive period of three years thereafter, subject to the compliance with the Hong Kong Listing Rules.

Fosun Pharma (a controlling shareholder of the Company) is directly holding 49% of the interests in Sinopharm Industrial Investment and Sinopharm is a subsidiary of Sinopharm Industrial Investment as at 24 April 2020 and 31 December 2020. Therefore, Sinopharm is connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the transactions under the Sinopharm Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The maximum transaction amount to be paid by the Group to Sinopharm Group for the procurement of warehousing and logistic services pursuant to the Sinopharm Procurement Framework Agreement for the years ending 31 December 2020, 2021 and 2022 will not exceed RMB7,300,000, RMB14,000,000 and RMB19,000,000, respectively.

The maximum transaction amount to be paid by the Group to Sinopharm Group for the purchase of raw materials pursuant to the Sinopharm Procurement Framework Agreement for the years ending 31 December 2020, 2021 and 2022 will not exceed RMB2,300,000, RMB4,000,000 and RMB6,000,000, respectively. On 31 December 2020, the Company has increased the annual caps for the two years ending 31 December 2021 and 2022 to RMB5,000,000 and RMB7,000,000 respectively.

Sinopharm distribution framework agreement

On 24 April 2020, the Company entered into the Sinopharm Distribution Framework Agreement to distribute the Biopharmaceutical Products of the Group to the Sinopharm Group from time to time. On 12 June 2020, the Shareholders approved the Sinopharm Distribution Framework Agreement dated 24 April 2020 at the 2020 second extraordinary general meeting. The distribution price will be determined between the parties on an arm's length market basis with reference to the sales price of similar products to end customers and regulatory requirements.

Fosun Pharma (a controlling shareholder of the Company) is directly holding 49% of the interests in Sinopharm Industrial Investment and Sinopharm is a subsidiary of Sinopharm Industrial Investment as at 24 April 2020. Therefore, Sinopharm is connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the transactions under the Sinopharm Distribution Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The maximum transaction amount to be received by the Group from Sinopharm Group for the distribution of the Biopharmaceutical Products pursuant to the Sinopharm Distribution Framework Agreement for the years ending 31 December 2020, 2021 and 2022 will not exceed RMB480,363,000, RMB1,462,000,000, and RMB1,995,000,000, respectively.

Collaboration arrangements under the HLX01 agreement and the HLX03 agreement

The Company has entered into the HLX01 Agreement (as amended) with Fosun Pharma Industrial Development (a subsidiary of Fosun Pharma) on 18 September 2015 in connection with 漢利康®. 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 漢利康® in the PRC; and (ii) grant an exclusive right to Fosun Pharma Industrial Development to promote and commercialise 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 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. Frost & Sullivan has confirmed that it is a market practice. 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.

The Company entered into an agreement with Jiangsu Wanbang (a wholly-owned subsidiary of Fosun Pharma) in relation to 漢達遠® on 18 September 2017, to commercialise 漢達遠®. The HLX03 Agreement contains the similar terms as those of the HLX01 Agreement.

The (i) 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 associate 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 RMB284.8 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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued its unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 44 to 46 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

ONE-OFF CONNECTED TRANSACTION

SAP implementation agreement

On 24 June 2020, the Company entered into SAP Implementation Agreement with Fosun Pharma at a consideration of RMB3,526,000, pursuant to which Fosun Pharma will provide SAP project implementation services to the Group, including the partition project implementation, software installation and system flow configuration of a SAP system, which is a process management database for the Group. Fosun Pharma has further agreed to provide on-going maintenance services for such SAP system. The agreement is considered as a one-off connected transaction and is subject to reporting and announcement requirements but exempt from the independent shareholders' approval requirement under the Listing Rules.

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 one-off 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 to ensure there remains a clear delineation of their respective businesses in the future.

The Non-competition 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-competition 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$3,147.1 million (approximately RMB2,800.9 million). As at the end of the Reporting Period, the proceeds have been used and will continue to be used in accordance with those set out in the Prospectus. Details of the use of proceeds are set out below:

Intended use of proceeds as set out in the Prospectus		Allocation of net proceeds in the proportion as set out in the Prospectus[4]	Amounts utilized as at 31 December 2019 (RMB million)	Amounts utilized during the Reporting Period (RMB million)	Amounts not yet utilized as at 31 December 2020 (RMB million)
(a)	Fund the ongoing clinical trials, regulatory filing and registration for Core Products[1]	approximately 40.0% (RMB1,120.4 million)	262.4	326.5	531.5
	Fund the ongoing clinical trials, regulatory filing and registration for HLX02	approximately 6.0% (RMB168.1 million)	135.7	31.6	0.8
	Fund the ongoing clinical trials, regulatory filing and registration for HLX04 for the mCRC indication	approximately 8.0% (RMB224.1 million)	98.1	60.5	65.5
	Develop immuno-oncology combination therapy comprised of HLX04 and HLX10 for the treatment of advanced solid tumours	approximately 26.0% (RMB728.2 million)	28.6	234.4	465.2
(b)	Fund the ongoing clinical trials, regulatory filing and registration for other biosimilar candidates, including HLX12, HLX11 and HLX14[2]	approximately 15.0% (RMB420.1 million)	158.7	63.3	198.1
(c)	Fund the ongoing clinical trials, regulatory filing and registration for bio-innovation drugs and the development of immune-oncology combination therapy[3]	approximately 35.0% (RMB980.3 million)	320.9	619.9	39.5
	HLX06	approximately 0.2% (RMB5.6 million)	–	–	5.6
	HLX07	approximately 4.3% (RMB120.4 million)	26.9	65.9	27.6
	HLX20	approximately 0.2% (RMB5.6 million)	0.8	3.4	1.4
	HLX10 and immune-oncology combination therapies involving HLX10 (including HLX10+HLX07)	approximately 30.3% (RMB848.7 million)	293.2	550.6	4.9
(d)	Working capital and general corporate purposes	approximately 10.0% (RMB280.1 million)	85.1	192.1	2.9
TOTAL[5]		100% (RMB2,800.9 million)	827.1	1,201.8	772.0

Notes:

(1) The use of proceeds to be applied to the research and development of the Core Products depends on the development progress of each Core Product. Please refer to the section headed "Management Discussion and Analysis" in this annual report for further details. Please also refer to the announcement of the Company dated 14 August 2020 in respect of the NDA approval for 漢曲優® by the NMPA.

(2) The use of proceeds to be applied to the research and development of the other biosimilar candidates depends on the development progress of each of these biosimilar candidates. Please refer to the section headed "Management Discussion and Analysis" in this annual report for further details.

(3) The use of proceeds to be applied to the research and development of the bio-innovative drugs and the development of immune-oncology combination therapy depends on the development progress of each of these drugs and therapies. Please refer to the section headed "Management Discussion and Analysis" in this annual report for further details.

(4) The net proceeds figures have been translated to Renminbi for the allocation and the utilization calculation, and have been adjusted slightly due to the fluctuation of the foreign-currency exchange rates since the listing and proportionally in accordance with the Prospectus taking into account the final offer price of the Global Offering and the partial exercise of the over-allotment option.

(5) The majority of the net proceeds from the Global Offering are allocated to fund ongoing clinical trials, regulatory filings and registrations of the Company's drugs and therapies, the outcome and hence the timeframe, of which are not within the control of the Company. Please refer to the section headed "Management Discussion and Analysis" in this annual report.

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.

On 26 March 2021, the Board resolved to change in the use of unutilized net proceeds, which amounts to RMB716.5 million of the total net proceeds as of 26 March 2021. The Board considered the research and development project of HLX10 and immuno-oncology therapies and is of the view that such progress would require additional investments. As a result, the unutilized net proceeds for HLX10 and immuno-oncology combination therapies involving HLX10 (including HLX10+HLX07) has increased from RMB1.9 million to RMB411.1 million. Please refer to announcement dated 26 March 2021 for further details for the change in use of unutilized net proceeds.

SUBSEQUENT EVENTS

No major subsequent events have occurred since the end of the Reporting Period and as at 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

For the year ended 31 December 2020, 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 Company recognizes that its employees, customers and business partners are keys to its sustainability journey. The Company has been striving to achieve corporate sustainability through engaging its employees, providing quality services for its customers, collaborating with business partners and supporting our community.

The Company places significant emphasis on human capital. The Company 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 Company 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 organizations.

To enhance customer satisfaction and promote a customer-oriented culture within the Group, the Company takes "Customer First" as one of its core values. It values the feedback from customers through daily communication, regular meeting and etc. It has also established the mechanism about customer service, support and complaints. When dealing with a customer complaint, the Company 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 Company believes that its suppliers are equally important in driving quality delivery of its products. It proactively collaborates with its business partners (including suppliers and contractors) to deliver 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 annual general meeting.

On Behalf of the Board
Qiyu Chen
Chairman
Hong Kong, 26 March 2021

REPORT OF THE BOARD OF SUPERVISORS

During the reporting period, in accordance with the Company Law, the Listing Rules and other relevant laws, regulations and the Articles of Association, the 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 second session of the Board of Supervisors of the Company held a total of 7 meetings, which reviewed the financial situation and other annual events for the year 2020 of the Group; the nomination of the candidates for shareholder representative supervisors, the election of the Chairman of the Board of Supervisors; the financial position for the interim 2020 and the matters related to the STAR MARKET.

OPINIONS OF THE BOARD OF SUPERVISORS ON THE RELATED MATTERS OF THE COMPANY IN 2020

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. No violations of laws, regulations, the Articles of Association or any detriment to the interests of the Company were found when the Directors and senior management of the Company performing their functions.

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, fairness and equity, 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
Rongli Feng
Chairman
Hong Kong, 26 March 2021

CORPORATE GOVERNANCE REPORT

The Board of the Company hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2020.

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 principles and code provisions of the CG Code during the Reporting Period.

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 during the Reporting Period.

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 from a Director when performing his/her responsibilities to the Company, and whether the Director is spending sufficient time in performing them.

Board composition

The Board of the Company currently comprises the following Directors:

Executive director

Mr. Wenjie Zhang *(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

Dr. Scott Shi-Kau Liu resigned as the executive Director and chief executive officer on 30 September 2020. Mr. Wenjie Zhang was appointed as the chief executive officer on 30 September 2020, and was appointed as the executive Director on 19 November 2020.

The biographical information of the Directors is set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 65 to 72 of this annual report.

None of the members of the Board is related to one another, including financial, business, family, or other material or relevant relationship(s).

CHAIRMAN, CHIEF EXECUTIVE OFFICER AND PRESIDENT

During the Reporting Period, Mr. Qiyu Chen was the Chairman of the Board, while Dr. Scott Shi-Kau Liu was the Chief Executive Officer from 1 January 2020 to 30 September 2020. After the resignation of Dr. Scott Shi-Kan Liu as the Chief Executive Officer, Mr. Wenjie Zhang was appointed as the Chief Executive Officer and President. 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 and the President are responsible for organizing the formulation and implementation of the Company's strategic plan, annual investment plan, and implementing board resolutions, and 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 Reporting Period, 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 at least 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 Reporting Period, 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 during the Reporting Period are summarized as follows:

Name of Directors	Type of Training [Note]
Executive Directors	
Mr. Wenjie Zhang[(1)]	A&B
Dr. Scott Shi-Kau Liu[(2)]	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. Zihou Yan[(3)]	A&B
Mr. Jiemin Fu[(4)]	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. Wenjie Zhang was appointed as an executive Director on 19 November 2020.

(2) Dr. Scott Shi-Kau Liu resigned as an executive Director on 30 September 2020.

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

(4) Mr. Jiemin Fu resigned 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 a total of five committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee, Strategy Committee and Environmental, Social and Governance 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.

During the Reporting Period, the Audit Committee held a total of 5 meetings 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 the audit to raise concerns about possible improprieties.

The Audit Committee also held a total of 2 meetings 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.

During the Reporting Period, the Remuneration Committee held a total of 4 meetings 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.

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 2020.

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;
- 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.

During the Reporting Period, the Nomination Committee held a total of 9 meetings 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.

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.

During the Reporting Period, the Strategy Committee held a total of 2 meetings.

Environmental, Social and Governance Committee

The Company established the Environmental, Social and Governance Committee on 24 April 2020. The key responsibilities for the Environmental, Social and Governance Committee are to develop the Company's environmental, social and governance vision, objectives, strategies and structure, and to review matters related to the implementation of the environmental, social and governance vision, strategies and structure.

As the Environmental, Social and Governance Committee was established during the Reporting Period, there was no meeting held by the Environmental, Social and Governance Committee.

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 be 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

The Company held 14 Board meetings, 5 Audit Committee meetings, 4 Remuneration Committee meetings, 9 Nomination Committee meeting, 2 Strategy Committee meetings, 7 general meetings and no Environmental, Social and Governance Committee meeting during the Reporting Period.

The attendance record of each Director at the Board and Board committee meetings and the annual general meeting of the Company during the Reporting Period is set out in the table below:

	Attendance/number of Meetings						
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee	Environmental, Social and Governance Committee[1]	General Meeting[2]
Mr. Wenjie Zhang [3]	3/3				0/0	0/0	2/2
Mr. Qiyu Chen	14/14			9/9	2/2		7/7
Mr. Yifang Wu	14/14		4/4		2/2		7/7
Ms. Xiaohui Guan	14/14	5/5					7/7
Dr. Aimin Hui	14/14				2/2		7/7
Mr. Zihou Yan [4]	14/14				2/2	0/0	6/6
Mr. Tak Young So	14/14	5/5			2/2	0/0	7/7
Dr. Lik Yuen Chan	14/14	5/5	4/4			0/0	7/7
Dr. Guoping Zhao	14/14			9/9			7/7
Dr. Ruilin Song	14/14		4/4	9/9	2/2	0/0	7/7
Dr. Scott Shi-Kau Liu [5]	8/8				2/2	0/0	5/5
Mr. Jiemin Fu [6]	0/0				0/0		1/1

Notes:

(1) The Environmental, Social and Governance Committee was established on 24 April 2020.

(2) During the Reporting Period, the Company held a total of 7 general meetings, including 1 annual general meeting, 4 extraordinary general meetings, and 1 domestic shareholders' class meeting and 1 H shareholders' class meeting.

(3) Mr. Wenjie Zhang was appointed as an executive Director, a member of the Strategy Committee and the Environmental, Social and Governance Committee on 19 November 2020.

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

(5) Dr. Scott Shi-Kau Liu resigned as an executive Director and a member of the Strategy Committee and the Environmental, Social and Governance Committee on 30 September 2020.

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

For the year ended 31 December 2020, the chairman held one meeting with independent non-executive Directors without the presence of other Directors.

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 2020.

The Internal Audit Department is responsible for performing independent review of the 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 2020, 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 2020.

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 73 to 77.

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 2020 amounted to RMB3,750,000 and RMB600,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Ernst & Young, for the year ended 31 December 2020 is set out below:

Service Category	Fees Paid/Payable (RMB)
Audit Services	
—annual audit service	**1,750,000**
—preparations for STAR Market listing	**2,000,000**
Non-audit Services	**600,000**
	4,350,000

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. For the year ended 31 December 2020, both Mr. Guo and Ms. Leung undertook not less than 15 hours of the relevant professional training in compliance with Rule 3.29 of the Listing Rules.

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 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 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 names, 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 Reporting Period, the Company has amended Articles of Association of the Company. Details of the amendments are set out in the Company's circulars dated 3 January 2020, 27 April 2020 and 4 November 2020. 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 37 of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Mr. Wenjie Zhang, aged 54, has been the executive director of Shanghai Henlius since November 2020, the director of Shanghai Henlius Pharmaceutical (漢霖醫藥), Shanghai Henlius Biopharmaceutical (漢霖製藥) and Hengenix Biotech, Inc. since September 2020 and the director of Taiwan Henlius since October 2020. Mr. Zhang has been the senior vice president, chief commercial operation officer and chief strategy officer of Shanghai Henlius from March 2019 to February 2020, and has served as the president of Shanghai Henlius, Shanghai Henlius Biopharmaceutical (漢霖製藥) and Shanghai Henlius Pharmaceutical (漢霖醫藥) since February 2020, which has responsibility for the operation management of the Group, focuses on building the innovative commercial operation mode of the Group and creating an international strategic layout, and successfully promotes the commercialisation of 漢曲優® (trastuzumab injection, EU brand name: Zercepac®) of the Group. He has served as the chief executive officer and president of Shanghai Henlius, Shanghai Henlius Biopharmaceutical (漢霖製藥) and Shanghai Henlius Pharmaceutical (漢霖醫藥) since September 2020, the chief executive officer of Hengenix Biotech, Inc. since September 2020, and the managing director of Henlius Europe GmbH since September 2020, as well as general manager of Taiwan Henlius since December 2020.

Mr. Zhang has more than 25 years of commercial operation and management experience in the pharmaceutical industry. Prior to joining the Group, Mr. Zhang has previously served in various roles including the general manager at Amgen China, the vice president, Oncology Business Unit 2 of Shanghai Roche Pharmaceuticals, China, and the head of Specialty Therapeutics & Oncology Unit-Bayer Schering Pharma, China. Mr. Zhang obtained a bachelor's degree in microbiology from Shandong University (山東大學), China, in July 1990 and a master's degree of business administration from Yale University, USA, in May 1998.

Mr. Qiyu Chen (陳啟宇), aged 48, 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, was appointed as a director in May 2005, and has been served as the chairman of Fosun Pharma from June 2010 to October 2020. Mr. Chen is an executive director of Fosun International since July 2015, 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 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 the co-chairman of New Frontier Health Corporation (New York Stock Exchange stock code: NFH) since December 2019, a non-executive director of Gland Pharma Limited (stock code of Bombay Stock Exchange Limited and National Stock Exchange of India: GLAND) since October 2020. In addition, Mr. Chen holds directorships in various companies invested by Fosun International and its affiliated companies. Mr. Chen was a non-executive director of Babytree Group (Stock Exchange stock code: 01761) from June 2018 to June 2020, 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 (吳以芳), aged 51, was appointed as a non-executive director of the Company on 12 June 2015. Mr. Wu joined Fosun Pharma Group in April 2004, and was the senior vice president of Fosun Pharma from July 2014 to January 2016, the senior vice president and chief operating officer of Fosun Pharma from January 2016 to June 2016, the president of Fosun Pharma from June 2016 to October 2020, and has been the chief executive officer since June 2016 and a executive director since August 2016, and he has been the chairman of Fosun Pharma since October 2020. Mr. Wu serves as a non-executive director of Sisram Medical Ltd. (復鋭醫療科技有限公司) (Stock Exchange stock code: 01696) since October 2016, a non-executive director of Gland Pharma Limited (stock code of Bombay Stock Exchange Limited and National Stock Exchange of India: GLAND) since October 2020 and chairman of the board of supervisors of Sinopharm since September 2020.

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 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 (關曉暉), aged 50, was appointed as a non-executive director of the Company on 24 December 2018. Ms. Guan joined Fosun Pharma in May 2000, was the vice president, chief accountant and general manager of finance department from December 2014 to June 2015, the senior vice president and chief financial officer from June 2015 to October 2020 and the executive president and chief financial officer since October 2020. Ms. Guan has been a non-executive director of Sinopharm since March 2019, and a non-executive director of Gland Pharma Limited (stock code of Bombay Stock Exchange Limited and National Stock Exchange of India: GLAND) since October 2020. Prior to joining Fosun Pharma Group, Ms. Guan worked at Jiangxi Branch of Industrial and Commercial Bank of China. 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 58, was appointed as a non-executive director of the Company on 10 April 2018. Dr. Hui joined the Fosun Pharma in November 2017 and served as the senior vice president of Fosun Pharma since November 2017 to March 2021, and has been the executive president since March 2021. 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. Zihou Yan (晏子厚), aged 57, has been appointed as the non-executive director of the Company since 19 February 2020. Mr. Yan has been the senior vice president of Fosun Pharmaceutical Industry Development 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.

Mr. Tak Young So (蘇德揚), aged 50, 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 (陳力元), aged 52, 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 from 2002 to 2021, including a director of the centre of liver health, associate dean of external affairs of the faculty of medicine and a professor of the Internal Medicine Department and the Department of Medicine and Therapeutics. Dr. Chan Joined Union Hospital of Hong Kong in November 2020 and served as the vice president and manager of Internal Medicine Department.

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 (趙國屏), aged 72, was appointed as an independent non-executive director of the Company 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 (宋瑞霖), aged 58, was appointed as an independent non-executive director of the Company on 2 September 2019. 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 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) from March 2017 to February 2021; 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) since June 2015; 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; an independent director of Shenzhen Chipscreen Biosciences Co., Ltd.* (深圳微芯生物有限公司) (Star Market of the Shanghai Stock Exchange stock code: 688321) since August 2018; an independent director of Simcere Pharmaceutical Group Limited* (Stock Exchange stock code: 02096) since December 2020; an independent director of Jacobio Pharmaceuticals Group Co., Ltd.* (Stock Exchange stock code: 01167) since December 2020; and an independent director of Mediwelcome Healthcare Management & Technology Inc.* (Stock Exchange stock code: 02159) since December 2020.

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 over 20 years. He participated in China's health and drug legislation activities from 1987 to 2006, in charge of the drafting and review of laws and regulations 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, the president of PhIRDA from September 2019 to September 2020, and executive president of PhIRDA since September 2020. Dr. Song also works as specially-invited expert of Talent Pool Participating in and Discussing State Affairs of the CPPCC, consultant expert of Participating in and Discussing State Affairs of the Chinese Peasants and Workers Democratic Party, 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 and a member of the Biotech Advisory Panel of the Stock Exchange among other important social positions. 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

Ms. Rongli Feng (馮蓉麗), aged 45, was appointed as a supervisor of the Company and the chairman of the board of supervisors on 23 May 2020. Ms. Feng joined Fosun Pharma in April 2020 and served as the vice president since April 2020 to March 2021, she has been the senior vice president of Fosun Pharma since March 2021, a non-executive director of Sinopharm (國藥控股) since June 2020 and a non-executive director of Sisram Medical Ltd* (復鋭醫療科技有限公司) (Stock Exchange stock code: 01696) since August 2020. From July 2018 to April 2020, Ms. Feng served as the deputy chief human resources officer of Fosun High Technology (復星高科技) and the managing director of the human resources of Shanghai Fosun Venture Capital Investment Management Co., Ltd.* (上海復星創業投資管理有限公司). Prior to joining Fosun Pharma Group, Ms. Feng served as a human resources supervisor of Sealed Air Packaging (Shanghai) Co., Ltd.* (希悦爾包裝(上海)有限公司), a human resources manager of Grundfos Pumps (Shanghai) Co., Ltd.* (格蘭富水泵(上海)有限公司), the Asia-Pacific human resources manager of Emerson Electric (China) Investment Co., Ltd.* (艾默生電氣(中國)投資有限公司), the China human resources planning manager of Dow Chemical (China) Co., Ltd.* (陶氏化學(中國)有限公司), the director of human resources of Shanghai Roche Pharmaceutical Co., Ltd.* (上海羅氏製藥有限公司), and the senior director of human resources at F. Hoffmann-La Roche AG, the deputy chief human resources officer of Fosun High Technology (復星高科技) and the managing director of the human resources of Shanghai Fosun Venture Capital Investment Management Co., Ltd.* (上海復星創業投資管理有限公司) from 1996 to 2020. Ms. Feng graduated from Shanghai University in China with a major in microcomputer application in July 1996. In February 2002, she obtained a master's degree in business administration from Columbia Southern University in the United States through long distance learning.

Mr. Deli Kong (孔德力), aged 46, 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. 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. Junhong Liu (劉俊宏), aged 37, was appointed as a supervisor of the Company on 31 December 2020. Ms. Liu serves as the auditing director of the Company since April 2020. She also acts as a supervisor of Henlius Biopharmaceutical (漢霖製藥) and Henlius Biologics (漢霖醫藥), which are the subsidiaries of the Company since December 2020. Before joining the Company, Ms. Liu served as the auditing manager at Shanghai Zhonghua Huyin Account Office Co., Ltd.* from June 2006 to July 2010. From August 2010 to October 2011, she worked as an auditing manager at Zhongqin Wanxin Accountants Office Co., Ltd.* She served as the project manager, director and equity partner at Shanghai Lixin Ruisi Information Management Co., Ltd.* from October 2011 to December 2014. She served as the deputy audit director, director and general manager assistant at Fosun Pharma from December 2014 to April 2020. Ms. Liu graduated from Shanghai University of International Business and Economies in July 2006 with a bachelor's degree in accounting and has an Auditor (Intermediate Level) qualification.

SENIOR MANAGEMENT OF THE GROUP

The Chief Executive Officer, the president 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, the president are set out in "-Board of Directors" above.

Mr. Xinjun Guo (郭新軍), aged 50, 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. Mr. Guo was appointed as the director of Henlius Pharmaceutical (漢霖醫藥) and Henlius Biopharmaceutical (漢霖製藥) since November 2020, and served as the Chief Executive Officer and President of Henlius Pharmaceutical (漢霖醫藥) since March 2021. Prior to joining the Group, Mr. Guo has previously served as a 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; 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; 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; 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.

Mr. Guo has many years of experience in biopharmaceutical R&D and industrialization, and is familiar with various domestic laws and regulations. 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, First Prize for Science and Technology Progress Award of Hangzhou and Shanghai May 1st Labour Medal. Mr. Guo is the vice-chairman of Shanghai Biopharmaceutics Industry Association and the vice director of the 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.

Mr. Xinlei Li (李鑫磊), aged 39, serves as the vice president and chief financial officer of the Company since December 2020. Mr. Li serves as the Chief Financial Officer of Henlius Biopharmaceutical (漢霖製藥) and Henlius Pharmaceutical (漢霖醫藥) since December 2020. Prior to joining the Group, Mr. Li consecutively served as the business development manager and senior business development manager of Fosun Pharma Industrial Development (復星醫藥產業發展) from October 2008 to December 2011, and he successively served as the senior manager, deputy director, director of investor relations, assistant to general manager and deputy general manager of investor relations department, the deputy general manager, general manager of investor relations and capital development department, assistant to the president and general manager of investor relations and capital development department of Fosun Pharma (復星醫藥) from January 2012 to January 2020, and he acted as the vice president and general manager of investor relations and capital development department of Fosun Pharma (復星醫藥) from January 2020 to December 2020.. Mr. Li obtained a Bachelor of Science degree in Pharmacy from Sichuan University in July 2004, a Master of Science degree from the University of Huddersfield in the U.K. in October 2006, and a master's degree from the IMBA Programme of Fudan University – Hong Kong University in November 2016.

Ms. Wei Huang, aged 53, served as the senior vice president of Henlius Biopharmaceutical (漢霖製藥), a wholly-owned subsidiary of the Company from December 2019 to October 2020 and has been the senior vice president and Chief Operating Officer of the Company since October 2020. Ms. Huang has over 25 years of senior management and leadership experience in the pharmaceutical and biotechnology industries, including process development, technology transfer, manufacturing, process and facility design, capital project execution and quality system implementation. Prior to joining the Group, Ms. Huang served as a research assistant at the Center of Marine Biotechnology from September 1991 to May 1993; process development engineer at Baxter (AMVAX) Inc. from June 1993 to April 1995; project manager at New Brunswick Scientific Inc. from May 1995 to July 1996; process engineer at Fluor Corp. from August 1996 to July 1998; senior/chief process engineer at Bechtel Corp. from August 1998 to July 2000; director of process engineering at Fluor Corp. from August 2000 to May 2008; vice president of process development and engineering at REG Life Science Inc. from June 2008 to March 2013; chief consultant at Newa Technology Inc. from April 2013 to December 2019. Ms. Huang obtained a bachelor's degree in Biochemical Engineering from the East China Institute of Chemical Technology in July 1990 and a master's degree in Chemical and Biochemical Engineering from the University of Maryland in August 1993.

Dr. Simon Sheng-Tsiung Hsu, aged 59, served as the senior vice president of Henlius Biopharmaceutical (漢霖製藥), a wholly-owned subsidiary of the Company from October 2019 to October 2020 and has been the senior vice president and Chief Technology Officer of the Company since October 2020. Prior to joining the Group, Dr. Hsu served as an R&D Scientist at Carlsbad Technology, Inc. from June 1996 to October 1999; R&D Scientist at Gen-Probe Inc. (currently Hologic, Inc.) from October 1999 to August 2001; senior researcher in process development and chief scientist in process development at Alexion Pharmaceuticals, Inc. from August 2001 to March 2006; deputy director, head of biochemical processes, head of CMC at MedImmune Inc. (currently AstraZeneca PLC) from March 2006 to September 2012; external production director of biopharmaceutical at Bristol-Myers Squibb Company from August 2013 to November 2015; director of CMC and external production at Shire Pharmaceuticals (currently Takeda Pharmaceutical Co.) from January 2016 to November 2016; head of CMC & Quality and Executive Director of CMC at Pieris Pharmaceuticals, Inc. from November 2016 to September 2019. Dr. Hsu obtained a bachelor's degree in Chemical Engineering from National Tsing Hua University in 1984, a master's degree in Chemical Engineering from Ohio State University in 1989 and a Ph.D. degree in Biochemical Engineering from Purdue University in 1994.

Dr. Ningshu Liu, aged 56, has been the senior vice president and Co-Chief Scientific Officer since August 2020. Dr. Liu has over 20 years of experience in the biotechnology and pharmaceutical industry. Prior to joining the Group, Dr. Liu conducted his master's research at the Institute of Basic Medical Sciences, Academy of Military Medical Sciences from September 1986 to September 1989; Cellular tissue transplantation research at the Biomedical Association of Japan* (日本生物醫學協會) from October 1989 to March 1991; Post-doctoral research at the Institute of Molecular Biology and Oncology, University of Marburg in Germany in July 1998; He served as a researcher and team manager at Bayer Pharmaceuticals' Asthma and Inflammatory Diseases R&D Center (Kyoto, Japan) from January 1999 to January 2004; Team Manager of the Oncology Research Department at Bayer Pharmaceuticals of USA R&D Center from February 2004 to April 2007; Chief researcher of the Oncology Research Department, Director of the Cancer Signaling Laboratory and Director of the Immuno-Oncology Laboratory at Bayer Pharma Research in Germany From May 2007 to August 2020. Dr. Liu obtained a Bachelor of Science degree in Physiology and Biophysics from Peking University in July 1986, a master's degree in Biochemistry from the University of Tokyo in September 1994, and a Ph.D. degree in Basic Medicine from the University of Marburg, Germany in July 1998.

Ms. Ping Cao, aged 49, served as the vice president of Hengenix Biotech Inc., a wholly-owned subsidiary of the Company from July 2018 to October 2020 and has been the vice president of the Company since October 2020. Prior to joining the Group, Ms. Cao served as the Associate Director of Contract Manufacturing Operation (CMO) and Global Manufacturing and Supply (GMS) at Bristol-Myers Squibb Company, head of project for Technology Platform Trading of Business Department from May 2009 to December 2016; Senior Director of Business Department of Abzena PLC from March 2017 to July 2018. Ms. Cao also serves as a member of the Advisory Council of Meneldor B.V since February 2021. Ms. Cao obtained a bachelor's degree in Materials Science and Technology from Tianjin University in China in July 1994, a Master's degree in Chemical Engineering from Tianjin University in China in March 1999, and a master's degree in Organic Chemistry from Michigan State University in USA in April 2004.

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 40, 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 78 to 155, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or 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 2020, 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 Hong Kong Institute of Certified Public Accountants ("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 2020, expenditure incurred on projects to develop new biopharmaceutical products of RMB859,303,000 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.	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 capitalisation of development expenditure by conducting interview with key management 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.
The disclosures about the capitalisation of 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 consolidated financial statements.	We also focused on the adequacy of the disclosures in the consolidated financial statements.
Impairment of intangible assets The carrying values of indefinite-life intangible assets (non-patent technologies) and deferred development costs in the consolidated financial statements amounted to RMB48,921,000 and RMB1,468,760,000, respectively, as at 31 December 2020. 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.	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 rate, contributory asset charges and growth rate beyond budget period used in the valuation method based on cash flow forecast of each individual asset. We paid attention to the forecasts with respect to future revenues, operating results and the development costs to be incurred to complete the development process by comparing the forecasts with the business development plan of each individual asset.
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 consolidated financial statements.	We also focused on the adequacy of the disclosures in the consolidated financial statements.

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of exclusive license contracts The Group entered into several exclusive license contracts (the "Contracts") for the development and commercialisation of candidate drugs. The consideration of the Contracts included upfront fee, milestone payments based on completion of certain milestone events and royalties based on future sales. For the year ended 31 December 2020, the Group recognised revenue of license and research and development services from the Contracts amounting to RMB42,294,000 and RMB118,388,000, respectively. As part of accounting for revenue recognition under the Contracts, significant management's judgements and estimations are involved to identify the performance obligations, determine whether each performance obligation is satisfied overtime or at a point in time, estimate the variable considerations and allocate the consideration based on the standalone selling price of each performance obligation. The Group's disclosures about revenue recognition under the Contracts are included in note 2.4 Summary of Significant Accounting Policies, note 3 Significant Accounting Judgements and Estimates and note 5 Revenue to the consolidated financial statement.	Our audit procedures included, among others, evaluating the management's accounting policies and assessing the management's processes and controls relating to revenue recognition under the Contracts; We inspected the Contracts, discussed with management about the nature, business rationale and the progress of the Contracts. We evaluated management judgements in identifying performance obligations by assessing whether the license and research and development services within the Contracts are distinct, and in determining whether each performance obligation is satisfied overtime or at a point in time by examining the related terms in the Contracts and the related supporting evidences. We checked the conditions and the current status of the payments made by the customers and the achievement of the milestone events to assess management's judgement and estimation in the variable considerations and the satisfaction of each performance obligations. We involved internal specialists to assist us in the assessment of the methodologies and the assumptions used by the management, in particular, the discount rates, royalty rates and the cost mark-up rate, in determination of the standalone selling price of each performance obligation. We performed recalculation to check the mathematical accuracy based on the management's model to determine the revenue recognised for each performance obligation. 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, actions taken to eliminate threats or safeguards applied.

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 Lawrence K. W. Lau.

Ernst & Young
Certified Public Accountants
Hong Kong
26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**587,586**	90,929
Cost of sales		**(182,119)**	(71,821)
Gross profit		**405,467**	19,108
Other income and gains	6	**43,737**	24,674
Selling and distribution expenses		**(243,648)**	(45,689)
Administrative expenses		**(192,640)**	(174,834)
Impairment losses on financial assets, net		**14**	(5,300)
Research and development expenses		**(894,144)**	(607,827)
Other expenses		**(68,622)**	(36,635)
Finance costs	8	**(43,705)**	(48,307)
LOSS BEFORE TAX	7	**(993,541)**	(874,810)
Income tax expense	11	**–**	(655)
LOSS FOR THE YEAR		**(993,541)**	(875,465)
Attributable to:			
Owners of the parent		**(993,541)**	(875,465)
Non-controlling interests		**–**	–
		(993,541)	(875,465)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	13	**(1.88)**	(1.76)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
LOSS FOR THE YEAR	**(993,541)**	(875,465)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(1,770)**	(1,180)
Reclassification adjustments for a foreign operation disposed of during the year	**–**	1,024
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(1,770)**	(156)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(995,311)**	(875,621)
ATTRIBUTABLE TO:		
Owners of the parent	**(995,311)**	(875,621)
Non-controlling interests	**–**	–
	(995,311)	(875,621)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**984,909**	500,713
Intangible assets	15	**2,942,454**	2,175,149
Right-of-use assets	16	**452,279**	356,678
Other non-current assets	17	**149,540**	206,578
Total non-current assets		**4,529,182**	3,239,118
CURRENT ASSETS			
Inventories	18	**305,224**	129,871
Trade receivables	19	**196,213**	29,830
Prepayments, deposits and other receivables	20	**294,248**	196,347
Pledged deposits	21	**–**	3,559
Cash and cash equivalents	21	**1,114,309**	2,301,092
Total current assets		**1,909,994**	2,660,699
CURRENT LIABILITIES			
Trade and bills payables	22	**298,952**	240,158
Other payables and accruals	23	**439,845**	409,199
Contract liabilities	24	**52,225**	32,039
Interest-bearing bank and other borrowings	25	**1,188,486**	278,241
Total current liabilities		**1,979,508**	959,637
NET CURRENT (LIABILITIES)/ASSETS		**(69,514)**	1,701,062
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,459,668**	4,940,180
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	**645,131**	331,148
Contract liabilities	24	**520,870**	572,515
Deferred income	27	**94,895**	36,102
Total non-current liabilities		**1,260,896**	939,765
Net assets		**3,198,772**	4,000,415
EQUITY			
Share capital	28	**543,495**	543,495
Reserves	29	**2,655,277**	3,456,920
Equity attributable to owners of the parent and total equity		**3,198,772**	4,000,415

Chen Qiyu
Chairman of the Board of Directors
Non-executive Director

Zhang Wenjie
Chief Executive Officer and President
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent					
	Share capital RMB'000	Share premium* RMB'000	Other reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000	Total RMB'000
At 1 January 2019	474,433	2,857,170	(606,235)	(647)	(922,172)	1,802,549
Loss for 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 from initial public offering (note 28)	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

	Attributable to owners of the parent					
	Share capital RMB'000	**Share premium* RMB'000**	**Other reserve* RMB'000**	**Exchange fluctuation reserve* RMB'000**	**Accumulated losses* RMB'000**	**Total RMB'000**
At 1 January 2020	**543,495**	**5,737,861**	**(482,501)**	**(803)**	**(1,797,637)**	**4,000,415**
Loss for the year	**–**	**–**	**–**	**–**	**(993,541)**	**(993,541)**
Other comprehensive loss for the year:						
Exchange differences related to foreign operations	**–**	**–**	**–**	**(1,770)**	**–**	**(1,770)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(1,770)**	**(993,541)**	**(995,311)**
Unlocking of restricted shares (note 30)	**–**	**216,375**	**(68,758)**	**–**	**–**	**147,617**
Equity-settled share-based payments (note 30)	**–**	**–**	**46,051**	**–**	**–**	**46,051**
At 31 December 2020	**543,495**	**5,954,236**	**(505,208)**	**(2,573)**	**(2,791,178)**	**3,198,772**

* These reserve accounts comprise the consolidated other reserves of RMB2,655,277,000 (2019: RMB3,456,920,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(993,541)**	(874,810)
Adjustments for:			
Finance costs	8	**43,705**	48,307
Reclassification adjustments for a foreign operation disposed of during the year		**–**	(1,024)
Depreciation of property, plant and equipment	7	**62,172**	38,858
Depreciation of right-of-use assets	7	**39,949**	27,704
Amortisation of intangible assets	7	**33,655**	15,937
Amortisation of deferred income	27	**(10,414)**	(3,592)
Foreign exchange loss, net	7	**59,773**	32,283
Impairment of financial assets, net	7	**(14)**	5,300
Listing expenses	7	**3,444**	18,443
Write-down of inventories to net realisable value	7	**1,188**	–
Loss on disposal of items of property, plant and equipment	7	**96**	11
Gain on disposal of items of right-of-use assets	7	**(907)**	–
Gain on rent concession	16	**(81)**	–
Share-based payment expense	7	**35,731**	97,117
Cash outflows before working capital changes		**(725,244)**	(595,466)
Increase in inventories		**(53,727)**	(100,225)
Increase in trade receivables		**(340,940)**	(28,309)
Increase in prepayments, other receivables and other assets		**(18,891)**	(75,473)
Decrease in pledged deposits		**3,559**	2,465
Decrease in trade and bills payables		**145,760**	53,967
Increase in other payables and accruals		**162,303**	61,600
Increase in contract liabilities		**148,393**	237,386
Increase in deferred income		**69,207**	1,583
Cash used in operations		**(609,580)**	(442,472)
Tax paid		**–**	(655)
Net cash flows used in operating activities		**(609,580)**	(443,127)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(557,002)**	(288,945)
Additions to intangible assets		**(955,520)**	(632,326)
Additions to right-of-use assets		**–**	(211,654)
Proceeds from disposal of items of property, plant and equipment		**273**	–
Net cash flows used in investing activities		**(1,512,249)**	(1,132,925)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**1,442,991**	686,683
Repayment of bank and other borrowings		**(335,284)**	(591,632)
Principal portion of lease payments	16(b)	**(57,258)**	(43,950)
Net proceeds from issue of shares		**–**	2,949,753
Payment of listing expenses		**(26,320)**	(17,851)
Interest paid		**(28,338)**	(35,112)
Net cash flows from financing activities		**995,791**	2,947,891
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,126,038)**	1,371,839
Cash and cash equivalents at beginning of year		**2,301,092**	958,990
Effect of foreign exchange rate changes, net		**(60,745)**	(29,737)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,114,309**	2,301,092
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,114,309**	2,304,651
Less: Pledged deposits	21	**–**	(3,559)
Cash and cash equivalents as stated in the statement of cash flows	21	**1,114,309**	2,301,092

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 and 304, Block 7, No.1999 Zhangheng Road, China (Shanghai) Pilot Free Trade Zone, the PRC.

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

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

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 as follows:

Name	Place and date of incorporation, place of operations, and kind of legal entity	Issued ordinary/ registered share capital	Percentage of ownership interest		Principal activities
			Direct	Indirect	
Shanghai Henlius Biopharmaceutical Co., Ltd. (上海復宏漢霖生物製藥有限公司)*	Shanghai, PRC 26 June 2014, limited liability company	Registered share capital of Renminbi ("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, limited company	Registered share capital of New Taiwan dollar ("NTD") 780,551,490	100%	–	Biopharmaceutical R&D and biopharmaceutical service
Hengenix Biotech, Inc. ("Hengenix")	CA, United States of America 18 August 2015, limited company	Registered share capital of United States dollar ("USD") 88,905,000	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)*	Shanghai, PRC 26 December 2017, limited liability company	Registered share capital of RMB600,000,000	100%	–	Biopharmaceutical production
Henlius Europe GmbH	Frankfurt, Germany 6 March 2019, limited liability company	Registered share capital of Euro ("EUR") 400,000	100%	–	Biopharmaceutical service
Shanghai Han Ying Biotechnology Co., Ltd. (上海漢頴生物技術有限公司)*/**	Shanghai, PRC 11 May 2016, limited liability company	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 names of these subsidiaries represented the best efforts made by the management of Company to translate the Chinese names as they do not have official English names registered in the PRC.

** This entity was liquidated in June 2020.

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 Renminbi ("RMB"), and all values are rounded to the nearest thousand except when otherwise indicated.

The Group had net current liabilities of RMB69,514,000 as at 31 December 2020. Having taken into account the unused banking facilities and the expected cash flows from operating and financing activities, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

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 2020. 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.

2.1 BASIS OF PREPARATION *(CONTINUED)*

BASIS OF CONSOLIDATION *(CONTINUED)*

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.

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's share of components 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 had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB81,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL 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	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

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

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

(CONTINUED)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

(CONTINUED)

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies. In assessing the materiality of accounting policy information, both quantitative and qualitative aspects need to be considered. Entity-specific accounting policy information is more useful for users of financial statements than the standardised information. The amendments also add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 8 are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments explain how entities use measurement techniques and inputs to develop accounting estimates and state that these can include estimation and valuation techniques. The amendments clarify that not all estimates will meet the definition of an accounting estimate, but rather may refer to inputs used in developing accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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.

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/amortisation) 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 capitalised 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	9.5%-19%
Motor vehicles	19%
Office and other equipment	9.5%-19%
Electronic equipment	9.5%-19%
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 capitalised 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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortised. 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. Other 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

INTANGIBLE ASSETS (OTHER THAN GOODWILL) *(CONTINUED)*

RESEARCH AND DEVELOPMENT COSTS *(CONTINUED)*

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 will be transferred to medicine licences after such medicine getting the medicine licences from the related authorities.

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 lease terms and the estimated useful lives of the assets as follows:

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 lease. 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 moving 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.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain biopharmaceutical products during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of returns, discounted to their present values as appropriate.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

INCOME TAX *(CONTINUED)*

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, and 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.

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, for 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

REVENUE RECOGNITION *(CONTINUED)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(CONTINUED)*

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 with 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. Some contracts for the sale of biopharmaceutical products provide customers with sales rebates. Sales rebates give rise to variable consideration.

LICENSE

The Group grant commercialisation licenses or intellectual property licenses (collectively, 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.

For the commercialization licenses, 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 recognised overtime during the expected commercialisation period after the commercialisation authorisation from the local authorities. And for the intellectual property licenses which the customer get a right to use the License, the revenue of the License is recognized at a point of time, when the control of the license is transferred to the customer and the customer is able to consume and benefit from the License. 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 rendered 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 or have no enforceable obligation to pay for the service provided to date, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

REVENUE RECOGNITION *(CONTINUED)*

RESEARCH AND DEVELOPMENT SERVICE *(CONTINUED)*

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

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

OTHER 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.

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 transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

OTHER EMPLOYEE BENEFITS *(CONTINUED)*

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.

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.

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 obligation under contracts which have bundled sales of the 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 the License

The Group concluded that for the License which would be significantly affected by the activities undertaken by the Group, such as being the exclusive supplier of certain biopharmaceutical products related to the License, the customers get a right to access the License, the revenue is recognised overtime during the expected commercialisation 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 and the transfer of the License to the customers. The Group recognises revenue on the basis of the output happened relative to the total expected output during the expected commercialisation period.

For the License which the customer gets a right to use the License, revenue for the License is recognised at the point of time when the control of the license is transferred to the customer and the customer is able to consume and benefit from the License.

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, 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, revenue for research and development services is to be recognised at a point of the time, because the customers cannot control the service or consume the benefit and have no enforceable obligation to pay for the service provided to date.

(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 certain variable consideration are not within the control of the Group, such as regulatory approvals, relevant consideration is not considered 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.

SIGNIFICANT JUDGEMENT IN DETERMINING THE LEASE TERM OF CONTRACTS

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by a highly possible renew action which is reasonably certain to be exercised.

The Group has the highly possibility to renew the periods under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to renew. That is, it considers all relevant factors that create an economic incentive for it to renew. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to renew (or not to renew) the periods of existing leases (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and laboratories due to the significance of these assets to its operations. These leases have a short and non-cancellable period and there will be a significant negative effect on operation or production if a replacement is not readily available.

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs and prices change when the products' expiration date is approaching. Management reassesses these estimates at the end of the reporting period.

Standalone selling prices of the License and the research and development services

The Group has certain contracts which provide the License together with research and development services to customers. As part of the accounting for these arrangements, the Group will develop assumptions that require estimation to determine the stand-alone selling price for each performance obligation identified in the contract. In developing the stand-alone selling price for a performance obligation, the Group considers the fair value of each performance obligation, and the fair value is determined using the valuation techniques (expected cost plus a margin approach or income approach) that are appropriate in the circumstances and for which sufficient data are available to measure fair value, the key assumptions include the discount rates, royalty rates and the cost mark-up rates. The consideration allocated to each performance obligation is limited to the consideration that is not constrained.

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

ESTIMATION UNCERTAINTY *(CONTINUED)*

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

USEFUL LIVES OF INTANGIBLE ASSETS

The Group reviews the useful life of intangible assets at least at the end of each year. If there is evidence that the useful life of intangible assets is different from the previous estimate, the amortisation period of intangible assets with limited useful lives will be changed. For intangible assets with uncertain service life, if there is evidence that its service life is limited, it shall be amortised according to a reasonable method. The difference between the actual result and the original estimate will affect the book value of intangible assets and the provision for impairment of intangible assets in the current and subsequent periods when the estimate is changed.

IMPAIRMENT OF NON-FINANCIAL ASSETS (OTHER THAN GOODWILL)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets and deferred development costs are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

DEFERRED TAX ASSETS

Deferred tax assets are recognised for deductible temporary differences, and the carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 26 to the financial statements.

DEFERRED DEVELOPMENT COSTS

Deferred development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. In determining the amounts to be capitalised, management makes assumptions with regard to future economic benefits generated from the assets, discount rates to be applied and the expected period of benefits. Further details are contained in note 15 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group is engaged in biopharmaceutical R&D, biopharmaceutical services 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

	2020 RMB'000	2019 RMB'000
Mainland China	**455,470**	88,312
Europe	**112,196**	–
Asia Pacific (excluding Mainland China)	**19,908**	2,617
Other regions	**12**	–
	587,586	90,929

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

(b) Non-current assets

	2020 RMB'000	2019 RMB'000
Mainland China	**4,412,807**	3,223,215
Overseas	**116,375**	15,903
	4,529,182	3,239,118

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 RMB273,079,000 (2019: RMB75,418,000) was derived from sales of biopharmaceutical products to a single customer. Revenue of approximately RMB112,196,000 (2019: Nil) was derived from sales of biopharmaceutical products, licensing and research and development services to a single customer.

5. REVENUE

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers	**587,574**	90,929
Revenue from other sources		
Gross rental income from operating leases	**12**	–
	587,586	90,929

REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) REVENUE INFORMATION

	2020 RMB'000	2019 RMB'000
Types of goods or service		
Sales of biopharmaceutical products	**425,451**	78,951
Research and development services	**118,388**	3,400
The License	**42,294**	8,578
Others	**1,441**	–
Total revenue from contracts with customers	**587,574**	90,929
Timing of revenue recognition		
Transferred at a point in time	**456,749**	79,734
Transferred over time	**130,825**	11,195
Total revenue from contracts with customers	**587,574**	90,929

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:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Research and development services	**78,915**	–
License	**11,951**	8,578
	90,866	8,578

There is no revenue recognised from performance obligations satisfied in previous periods.

5. REVENUE *(CONTINUED)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(CONTINUED)*

(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.

The License

The performance obligation of commercialisation licenses is satisfied overtime during the expected commercialisation period after the Group obtains the commercialisation authorisation from the local authorities and payment in advance is normally required. The performance obligation of intellectual property licenses is satisfied at a point in time and payment is billed based on the milestone achieved.

Research and development services

Based on the terms of the contracts, the performance obligation is satisfied over time as services are rendered or at the point in time as the services are completed and accepted and payment is billed based on the milestone achieved.

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

	2020 RMB'000	2019 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**147,161**	32,039
After one year	**685,267**	652,276
	832,428	684,315

The remaining performance obligations expected to be recognised after one year mainly relate to the transaction prices allocated to the License and research and development services. The revenue from the License is expected to be recognised during the future estimated commercialised period. The revenue from research and development services is expected to be recognised during the period in which the services are being rendered. The amounts disclosed above do not include variable consideration.

6. OTHER INCOME AND GAINS

	2020 RMB'000	2019 RMB'000
Interest income	**7,404**	16,062
Government grants	**35,393**	7,448
Reclassification adjustments for a foreign operation disposed of during the year	**–**	1,024
Others	**940**	140
	43,737	24,674

7. LOSS BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Cost of inventories sold		**168,526**	71,821
Cost of services provided		**13,593**	–
Depreciation of property, plant and equipment*		**62,172**	38,858
Depreciation of right-of-use assets*		**39,949**	27,704
Amortisation of intangible assets*		**33,655**	15,937
Research and development expenses:			
Current year expenditure		**894,144**	607,827
Lease payments not included in the measurement of lease liabilities	16(c)	**3,774**	249
Listing expenses		**3,444**	18,443
Auditor's remuneration		**2,350**	1,750
Employee benefit expense (including directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**346,273**	206,754
Staff welfare expenses		**49,598**	39,159
Share-based payment expense*	31	**35,731**	97,117
Foreign exchange loss		**59,773**	32,283
Impairment of financial assets, net	19	**(14)**	5,300
Write-down of inventories to net realisable value	18	**1,188**	–
Bank interest income	6	**(7,404)**	(16,062)
Loss on disposal of items of property plants and equipment		**96**	11
Gain on disposal of items of right-of-use assets	16	**(907)**	–

* 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:

	2020 RMB'000	2019 RMB'000
Interest expense on bank and other borrowings	**30,119**	36,208
Interest expense on lease liabilities (note 16(b))	**16,230**	12,099
Less: Interest capitalised (note 14)	**2,644**	–
	43,705	48,307

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' REMUNERATION

Directors', supervisors' and chief executives' 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:

	2020 RMB'000	2019 RMB'000
Fees	**1,060**	300
Other emoluments:		
Salaries, allowances and benefits in kind	**3,231**	2,507
Performance-related bonuses	**4,223**	1,432
Pension scheme contributions	**–**	–
Share award scheme	**4,091**	3,511
	12,605	7,750

During the year and in prior years, certain directors and supervisors were granted to restricted shares in respect of their services to the Group, further details of which are set out in note 30 to the financial statements. The fair value of these restricted shares, which has been recognised in the statement of profit or loss over the lock-up period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the directors', supervisors' and chief executives' remuneration disclosures below.

(a) INDEPENDENT NON-EXECUTIVE DIRECTORS

The fees paid to independent non-executive directors during the year were as follows:

	2020 RMB'000	2019 RMB'000
Dr Lik Yuen Chan	**265**	75
Mr Tak Young So	**265**	75
Dr Ruilin Song	**265**	75
Dr Guoping Zhao	**265**	75
	1,060	300

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' REMUNERATION *(CONTINUED)*

(b) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVES

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Share award scheme RMB'000	Total remuneration RMB'000
2020						
Executive directors						
Dr Scott Shi-Kau Liu[1]	–	–	–	–	–	–
Mr Wenjie Zhang[2]	–	–	–	–	–	–
	–	–	–	–	–	–
Non-executive directors						
Mr Qiyu Chen	–	–	–	–	–	–
Mr Yifang Wu	–	–	–	–	–	–
Dr Aimin Hui	–	–	–	–	–	–
Ms Xiaohui Guan	–	–	–	–	–	–
Mr Zihou Yan[3]	–	–	–	–	–	–
Mr Jiemin Fu[4]	–	–	–	–	–	–
	–	–	–	–	–	–
Supervisors						
Ms Rongli Feng[5]	–	–	–	–	–	–
Mr Yong Zhou[6]	–	–	–	–	–	–
Ms Kun Dai[7]	–	–	–	–	–	–
Mr Deli Kong	–	–	–	–	–	–
Ms Jingyi Wang[8]	–	–	–	–	1,650	1,650
Ms Junhong Liu[9]	–	–	–	–	–	–
	–	–	–	–	1,650	1,650
Chief executives						
Dr Scott Shi-Kau Liu[1]	–	1,989	4,223	–	–	6,212
Mr Wenjie Zhang[2]	–	1,242	–	–	2,441	3,683
	–	3,231	4,223	–	2,441	9,895
	–	3,231	4,223	–	4,091	11,545

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' REMUNERATION *(CONTINUED)*

(b) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVES *(CONTINUED)*

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Share award scheme RMB'000	Total remuneration RMB'000
2019						
Executive director						
Dr Scott Shi-Kau Liu	–	–	–	–	–	–
	–	–	–	–	–	–
Non-executive directors						
Mr Qiyu Chen	–	–	–	–	–	–
Mr Yifang Wu	–	–	–	–	–	–
Dr Aimin Hui	–	–	–	–	–	–
Ms Xiaohui Guan	–	–	–	–	–	–
Mr Jiemin Fu	–	–	–	–	–	–
	–	–	–	–	–	–
Supervisors						
Mr Yong Zhou	–	–	–	–	–	–
Ms Kun Dai	–	–	–	–	–	–
Mr Deli Kong	–	–	–	–	–	–
Ms Jingyi Wang	–	–	–	–	3,511	3,511
	–	–	–	–	3,511	3,511
Chief executive						
Dr Scott Shi-Kau Liu	–	2,507	1,432	–	–	3,939
	–	2,507	1,432	–	–	3,939
	–	2,507	1,432	–	3,511	7,450

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' REMUNERATION *(CONTINUED)*

(b) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVES *(CONTINUED)*

(1) Dr. Scott Shi-Kau Liu resigned as an executive director and the chief executive officer of the Company in September 2020.

(2) Mr. Wenjie Zhang was appointed as the chief executive officer of the Company in September 2020 and was appointed as an executive director of the Company in November 2020.

(3) Mr. Zihou Yan was appointed as a non-executive director of the Company in February 2020.

(4) Mr. Jiemin Fu resigned as a non-executive director of the Company in February 2020.

(5) Ms. Rongli Feng was appointed as a supervisor of the Company in May 2020.

(6) Mr. Yong Zhou resigned as a supervisor and the chairman of the Board of Supervisors of the Company in February 2020.

(7) Ms. Kun Dai was appointed as a supervisor and the chairman of the board of supervisors on 19 February 2020. She resigned as a supervisor and the chairman of the board of supervisors with effect from 23 May 2020.

(8) Ms. Jingyi Wang resigned as the employee representative supervisor of the Board of Supervisors of the Company in December 2020.

(9) Ms. Junhong Liu was appointed as the employee representative supervisor of the Board of Supervisors of the Company in December 2020.

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors who are also the chief executives (2019: Nil), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2019: five) highest paid employees who are neither a director, supervisor nor chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	**6,694**	6,179
Performance-related bonuses	**790**	1,226
Pension scheme contributions	**–**	178
Share award scheme	**5,175**	58,334
	12,659	65,917

10. FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

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

	Number of employees	
	2020	2019
	RMB'000	RMB'000
Nil to RMB1,000,000	**–**	–
RMB3,000,001 to RMB3,500,000	**2**	–
RMB5,000,001 to RMB5,500,000	**1**	1
RMB8,000,001 to RMB8,500,000	**–**	1
RMB8,500,001 to RMB9,000,000	**–**	1
RMB21,000,001 to RMB21,500,000	**–**	1
RMB22,500,001 to RMB23,000,000	**–**	1
	3	5

During the year and in prior years, restricted shares were granted to certain non-director, non-supervisor and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of such restricted shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, non-supervisor and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

The provision for Chinese Mainland current income tax is based on the statutory rate of 25% (2019: 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, except for certain group entities in Chinese Mainland, which are taxed at preferential rates of 15%.

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 and Hengenix, is based on the statutory rates of 20% and 29.84%, respectively (2019: 19% and 29.84%, respectively), for the year ended 31 December 2020.

	2020	2019
	RMB'000	RMB'000
Current – Mainland China	**–**	655
Total tax charged for the year	**–**	655

11. INCOME TAX *(CONTINUED)*

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of 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 2020

	Chinese Mainland RMB'000	United States of America, Germany and Taiwan RMB'000	Total RMB'000
Loss before tax	**(955,581)**	**(37,960)**	**(993,541)**
Tax at the statutory tax rate	**(238,895)**	**(11,728)**	**(250,623)**
Lower tax rate for a specific entity	**90,690**	**–**	**90,690**
Expenses not deductible for tax	**6,328**	**10**	**6,338**
Deductible temporary difference and tax losses not recognised	**141,877**	**11,718**	**153,595**
Tax charge at the effective rate	**–**	**–**	**–**

Year ended 31 December 2019

	Chinese Mainland RMB'000	United States of America, Germany and Taiwan 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)
Lower tax rate for a specific entity	80,722	–	80,722
Withholding income tax of a subsidiary not deductible for tax	655	–	655
Expenses not deductible for tax	1,877	33	1,910
Deductible temporary difference and tax losses not recognised	112,885	21,200	134,085
Tax charge at the effective rate	655	–	655

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 529,574,066 (2019: 497,157,841) 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.

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

	2020 RMB'000	2019 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(993,541)**	(875,465)

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**529,574,066**	497,157,841
Effect of dilution – weighted average number of ordinary shares:		
Restricted shares under share award scheme	**–**	–
	529,574,066	497,157,841

Because the diluted loss per share amount is decreased when taking restricted shares issued under the 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 amount for the year and were ignored in the calculation of diluted loss 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 2020							
At 1 January 2020:							
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
At 1 January 2020, net of accumulated depreciation	326,367	508	333	33,738	101,830	37,937	500,713
Additions	170,240	346	127	15,822	106,058	274,769	567,362
Disposals	(286)	(66)	–	(1)	(378)	–	(731)
Depreciation provided during the year	(49,977)	(198)	(103)	(8,009)	(21,705)	–	(79,992)
Transfers	29,097	–	–	–	–	(29,097)	–
Exchange rate fluctuation	(10)	887	(22)	(1,985)	(1,313)	–	(2,443)
At 31 December 2020, net of accumulated depreciation	475,431	1,477	335	39,565	184,492	283,609	984,909
At 31 December 2020:							
Cost	622,761	4,029	909	58,601	245,700	283,609	1,215,609
Accumulated depreciation	(147,330)	(2,552)	(574)	(19,036)	(61,208)	–	(230,700)
Net carrying amount	475,431	1,477	335	39,565	184,492	283,609	984,909

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 2019							
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

The carrying amounts of construction in progress of the Group included capitalised interest of approximately RMB2,644,000 (2019: nil) charged for the year (note 8).

At 31 December 2020, none of the Group's property, plant and equipment (2019: RMB117,707,000) were pledged as security for the Group's interest-bearing bank and other borrowings, as further detailed in note 25 to financial statements.

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 2020					
Cost at 1 January 2020, net of accumulated amortisation	**48,921**	**14,242**	**1,775,660**	**336,326**	**2,175,149**
Additions	**–**	**10,522**	**859,303**	**–**	**869,825**
Disposals	**–**	**–**	**(65,388)**	**–**	**(65,388)**
Transfers	**–**	**–**	**(1,100,815)**	**1,100,815**	**–**
Amortisation during the year	**–**	**(2,342)**	**–**	**(34,816)**	**(37,158)**
Exchange rate fluctuation	**–**	**26**	**–**	**–**	**26**
At 31 December 2020:	**48,921**	**22,448**	**1,468,760**	**1,402,325**	**2,942,454**
At 31 December 2020					
Cost	**48,921**	**27,714**	**1,468,760**	**1,451,673**	**2,997,068**
Accumulated amortisation	**–**	**(5,266)**	**–**	**(49,348)**	**(54,614)**
Net carrying amount	**48,921**	**22,448**	**1,468,760**	**1,402,325**	**2,942,454**
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	–
Amortisation 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 amortisation	–	(2,924)	–	(14,532)	(17,456)
Net carrying amount	48,921	14,242	1,775,660	336,326	2,175,149

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 phase 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 the royalty method taking into account the nature of the asset, using cash flow projections based on financial budget approved by the management, covering the economic life of corresponding biopharmaceutical products and the growth rate used to extrapolate the cash flows beyond the financial budget period is 3% (2019: 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 2020	31 December 2019
Discount rates	**16.00%**	17.03%
Royalty rates	**5.00%**	5.00%

Discount rates – The discount rates used 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 the market where non-patent technologies are 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 budget approved by the management, covering the economic life of corresponding biopharmaceutical products. 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 2020	31 December 2019
Discount rates	**16.00%-17.00%**	17.75%-18.55%
Contributory asset charges	**1.10%-1.51%**	2.03%-2.42%

Discount rates – The discount rates used reflect specific risks relating to deferred development costs.

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.

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.

(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 2020

	Land RMB'000	Plant and machinery RMB'000	Total RMB'000
As at 1 January 2020	209,536	147,142	356,678
Additions	–	166,035	166,035
Disposals	–	(9,066)	(9,066)
Depreciation charge	(4,233)	(57,288)	(61,521)
Exchange rate fluctuation	–	153	153
As at 31 December 2020	205,303	246,976	452,279

31 December 2019

	Land 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

At 31 December 2020, the Group's right-of-use assets with a carrying amount of RMB205,303,000 (2019: Nil) were pledged as security for the Group's interest-bearing bank and other borrowings, as further detailed in note 25 to the financial statements.

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:

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**178,262**	191,942
New leases	**166,035**	18,162
Accretion of interest recognised during the year	**16,230**	12,099
Disposals	**(9,973)**	–
COVID-19-related rent concessions from lessors	**(81)**	–
Payments	**(57,258)**	(43,950)
Exchange rate fluctuation	**(240)**	9
Carrying amount at 31 December	**292,975**	178,262
Analysed into:		
Current portion	**72,041**	37,544
Non-current portion	**220,934**	140,718

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

As disclosed in note 2.4 to the financial statements, the Group has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and machinery during the year.

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

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**16,230**	12,099
Depreciation charge of right-of-use assets	**39,949**	27,704
Expense relating to short-term leases and leases of low-value assets	**3,774**	249
COVID-19-related rent concessions from lessors	**(81)**	–
Gain on disposal of items of right-of-use assets	**(907)**	–
Total amount recognised in profit or loss	**58,965**	40,052

(d) THE TOTAL CASH OUTFLOW FOR LEASES AND FUTURE CASH OUTFLOWS RELATING TO LEASES THAT HAVE NOT YET COMMENCED ARE DISCLOSED IN NOTES 31(C) AND 33(B), RESPECTIVELY, TO THE FINANCIAL STATEMENTS.

17. OTHER NON-CURRENT ASSETS

	2020 RMB'000	2019 RMB'000
Prepayment for non-current assets	**149,540**	206,578

18. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	**144,891**	102,299
Work in progress	**136,114**	27,561
Finished goods	**25,407**	11
Provision	**(1,188)**	–
	305,224	129,871

19. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**201,499**	35,130
Impairment	**(5,286)**	(5,300)
	196,213	29,830

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 2020, the Group's trade receivables with the amount of RMB4,300,000 (2019: RMB5,304,000) were pledged as security for the Group's interest-bearing bank and other borrowings, as further detailed in note 25 to the financial statements.

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

	2020 RMB'000	2019 RMB'000
Within 3 months	**196,213**	29,830

19. TRADE RECEIVABLES *(CONTINUED)*

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

	2020 RMB'000	2019 RMB'000
At the beginning of year	**5,300**	–
Impairment losses, net	**(14)**	5,300
At the end of year	**5,286**	5,300

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.

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 2020, 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. At 31 December 2020, the Group's loss allowance was RMB4,300,000 (2019: RMB5,300,000).

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Prepayments	**56,722**	45,506
Value added tax to be deducted and certified	**205,863**	118,567
Income tax prepaid	**7,667**	7,026
Deposits and other receivables	**23,996**	25,248
	294,248	196,347

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, the loss allowance was assessed to minimal.

As at 31 December 2020, the Group's other receivables with a carrying amount of RMB5,305,000 (2019: RMB2,846,000) were pledged as security for the Group's interest-bearing bank and other borrowings, as further detailed in note 25 to financial statements.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2020 RMB'000	2019 RMB'000
Cash on hand	1	3
Cash at banks, unrestricted	1,114,308	2,304,648
	1,114,309	2,304,651
Less: Pledged time deposits:		
Pledged for bills payable	–	(3,559)
Cash and cash equivalents	1,114,309	2,301,092

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

	2020 RMB'000	2019 RMB'000
Denominated in RMB	251,058	369,582
Denominated in US$	857,336	941,035
Denominated in EUR	1,507	1,531
Denominated in Hong Kong dollars	1,254	988,236
Denominated in NTD	3,154	4,267
	1,114,309	2,304,651

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

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 authorised 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

	2020 RMB'000	2019 RMB'000
Trade payables	**298,952**	236,599
Bills payable	**–**	3,559
	298,952	240,158

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:

	2020 RMB'000	2019 RMB'000
Within 1 year	**298,148**	239,957
1 to 2 years	**804**	201
	298,952	240,158

23. OTHER PAYABLES AND ACCRUALS

	Notes	2020 RMB'000	2019 RMB'000
Repurchase obligation of restricted shares under share award scheme (note 30)		**61,911**	209,528
Other payables	(i)	**105,177**	63,614
Payroll and welfare payable		**155,833**	80,188
Accruals		**103,365**	49,680
Other current liabilities		**7,403**	3,920
Other taxes payables		**6,156**	2,269
		439,845	409,199

Notes:

(i) Other payables mainly represent the payable related to purchase of property, plant and equipment and the deposits received.

24. CONTRACT LIABILITIES

Details of contract liabilities as at 31 December 2020 and 31 December 2019 are as follows:

	2020 RMB'000	2019 RMB'000
Short-term advances received from customers		
Sales of biopharmaceutical products	**13**	31
License and research and development services	**52,212**	32,008
	52,225	32,039
Long-term advances received from customers		
License and research and development services	**520,870**	572,515
	573,095	604,554

Contract liabilities include long-term and short-term advances received to grant customers the License of the Group's certain biopharmaceutical products and provide research and development services.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities (note 16)	**4.65 – 6.28**	**2021**	**72,041**	4.35 – 6.87	2020	37,544
Bank borrowings – unsecured	**1.00 – 4.35**	**2021**	**923,292**	4.35 – 5.44	2020	172,266
Current portion of long term bank borrowings – secured (Note (a))	**4.50**	**2021**	**34,002**	6.03 – 7.50	2020	59,127
Current portion of long term bank borrowings – unsecured	**4.65 – 6.20**	**2021**	**153,116**	–	2020	–
Current portion of long term other borrowings – secured	**–**	**2021**	**–**	0.98	2020	2,675
Current portion of long term other borrowings – unsecured	**0.88**	**2021**	**6,035**	0.98	2020	6,629
			1,188,486			278,241
Non-current						
Lease liabilities (note 16)	**4.65 – 6.28**	**2022 – 2029**	**220,934**	4.35 – 6.87	2021 – 2027	140,718
Bank borrowings – secured (Note (a))	**3.98 – 4.50**	**2022 – 2026**	**326,896**	7.50	2021 – 2022	40,430
Bank borrowings – unsecured	**4.65**	**2022 – 2023**	**95,444**	6.20	2021	150,000
Other borrowings – unsecured	**0.88**	**2022**	**1,857**	–	–	–
			645,131			331,148
			1,833,617			609,389

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

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank borrowings and other borrowings repayable:		
Within one year	**1,116,445**	240,697
In the second year	**37,627**	174,133
In the third to fifth years, inclusive	**209,319**	16,297
Beyond five years	**177,251**	–
	1,540,642	431,127
Lease liabilities:		
Within one year	**72,041**	37,544
In the second year	**44,462**	32,285
In the third to fifth years, inclusive	**111,473**	79,856
Beyond five years	**64,999**	28,577
	292,975	178,262

Notes:

(a) Certain of the Group's bank borrowings are secured by:

(i) the pledge of certain of the Group's trade receivables amounting to RMB4,300,000 (2019: RMB5,304,000);

(ii) the pledge of certain of the Group's other receivables amounting to RMB5,305,000 (2019: RMB2,846,000);

(iii) mortgages over the Group's right-of-use assets, which had a net carrying value at the end of the reporting period of RMB205,303,000 (2019: Nil); and

(iv) nil of the Group's property, plant and equipment (2019: RMB117,707,000).

(b) Except for certain of the Group's unsecured bank borrowings bear interest at rates ranging from 1.00% to 3.85% amounting to USD16,211,000, and the 0.88% unsecured other borrowings amounting to NTD34,000,000, respectively, all borrowings are in RMB.

26. DEFERRED TAX

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

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

	2020 RMB'000	2019 RMB'000
Tax losses	**2,260,418**	1,244,626
Deductible temporary difference	**1,104,143**	778,585
	3,364,561	2,023,211

The unused tax losses expire as follows:

	2020 RMB'000	2019 RMB'000
Less than five years	**230,868**	847,041
Beyond five years	**1,902,639**	312,568
Without limitation	**126,911**	85,017
	2,260,418	1,244,626

27. DEFERRED INCOME

	2020 RMB'000	2019 RMB'000
Government grants	**94,895**	36,102

Various government grants have been received from local government authorities for setting up research and development activities. Some government grants received that didn't meet 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:

	2020 RMB'000	2019 RMB'000
At the beginning of the year	**36,102**	38,111
Received during the year	**69,207**	1,583
Recognised as income during the year	**(10,414)**	(3,592)
At the end of the year	**94,895**	36,102

28. SHARE CAPITAL

SHARES

	2020 RMB'000	2019 RMB'000
Issue and fully paid:		
543,494,853 (2019: 543,494,853) ordinary shares	**543,495**	543,495

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 2019	**474,433,053**	474,433
Issue of shares from initial public offering (Note)	**69,061,800**	69,062
At 31 December 2019 and 31 December 2020	**543,494,853**	543,495

Note: In connection with the Company's Global Offering on the Stock Exchange, on 25 September 2019, 64,695,400 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 the partial exercise of the over-allotment option at a price of HK$49.6 per share, after deducting expenses related to the 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 statement of changes in equity of the Group.

30. SHARE AWARD SCHEME

2018 Share Award Scheme and Amendments to the 2018 Share Award Scheme

The Group adopted a share award scheme (the "2018 Share Award Scheme") for the purpose of motivating the directors and key personnel of the Group to promote success of the business. The 2018 Share Award Scheme was approved by the Directors and became effective on 14 April 2018.

On 14 April 2018 (the "Date of Grant of the 2018 Share Award Scheme"), pursuant to the 2018 Share Award Scheme, 22,750,000 ordinary shares of the Company were granted to 55 eligible participants of the 2018 Share Award Scheme at an exercise price of RMB9.21 per share. All the 22,750,000 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 unlocking period. The eligible participants include the members of the senior management of the Company and the core technical personnel of the Company and its subsidiaries. Details of the unlocking date are summarised as follows:

Type of eligible participants	% of conditional shares	Unlocking 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 the 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 releasing the restrictions.

All of the eligible participants have accepted the granted shares by signing off the offer letters. The 2018 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.

During the year, in view of the business development of the Group and to provide an effective and sound incentive mechanism with reference to market practices, the Directors proposed to amend the terms of the 2018 Share Award Scheme ("Amendments to the 2018 Share Award Scheme") which was approved by the Directors on 17 November 2020.

30. SHARE AWARD SCHEME *(CONTINUED)*

2018 Share Award Scheme and Amendments to the 2018 Share Award Scheme *(CONTINUED)*

The aggregate fair value of the shares granted amounted to approximately RMB307,125,000 (RMB13.50 per share), 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 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.

During the year, in view of the business development of the Group and to provide an effective and sound incentive mechanism with reference to market practices, the Directors proposed to amend the terms of the 2018 Share Award Scheme ("Amendments to the 2018 Share Award Scheme") which was approved by the Directors on 17 November 2020.

Pursuant to the Amendments to the 2018 Share Award Scheme, upon the resignation of the participants, the transfer restrictions of certain percentage of the shares awarded under the 2018 Share Award Scheme will be released, if the participants have fulfilled the service period conditions and certain performance conditions.

The following restricted shares were outstanding under the 2018 Share Award Scheme and Amendments to the 2018 Share Award Scheme during the year:

	Number of shares
At 1 January 2019, 31 December 2019 and 1 January 2020	22,750,000
Forfeited during the year	(2,780,700)
Unlocked during the year	(16,027,813)
At 31 December 2020	**3,941,487**

Regarding the 2018 Share Award Scheme and Amendments to the 2018 Share Award Scheme, the Group has recognised expenses of RMB28,161,000, deferred development costs of RMB9,024,000, cost of sales of RMB2,618,000, inventories of RMB319,000 and property, plant and equipment – construction in progress of RMB200,000 for the year ended 31 December 2020 (2019: 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). Due to the unlocking of the shares, other reserve increased by RMB147,617,000.

30. SHARE AWARD SCHEME *(CONTINUED)*

2020 Share Award Scheme

The Group adopted a share award scheme (the "2020 Share Award Scheme") for the purpose of motivating the directors and key personnel of the Group to promote success of the business. The 2020 Share Award Scheme was approved by the Directors and became effective on 10 December 2020.

On 10 December 2020 (the "Date of Grant of the 2020 Share Award Scheme"), pursuant to the 2020 Share Award Scheme, 2,780,700 ordinary shares of the Company were granted to 12 eligible participants of the 2020 Share Award Scheme at an exercise price of RMB9.21 per share. All the 2,780,700 ordinary shares are derived from the unlocked restricted shares at the time of the resignation of the participants in the 2018 Share Award Scheme. All the 2,780,700 ordinary shares held by the eligible participants shall be unlocked (or repurchased and cancelled by the Company) in two tranches upon the expiry of each lock-up period. The eligible participants include the members of the senior management of the Company and the core technical personnel of the Company and its subsidiaries. Details of the unlocking date are summarised as follows:

Type of eligible participants	% of conditional shares	Unlocking date	% of unlocked conditional shares
1	100%	30 April 2021	60%
		30 April 2022	20%
		30 April 2023	20%
2	100%	30 April 2021	20%
		30 April 2022	25%
		30 April 2023	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 restrictions may be released depends on the achievement of those conditions.

All of the eligible participants have accepted the granted shares by signing off the offer letters. The 2020 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 following restricted shares were outstanding under the 2020 Share Award Scheme during the year:

	Number of shares
At 1 January 2020	–
Granted during the year	**2,780,700**
At 31 December 2020	**2,780,700**

The aggregate fair value of the shares granted amounted to approximately RMB63,636,000 (RMB22.88 per share), and the fair value is determined by the stock price on the Date of Grant on the 2020 Share Award Scheme. The Group has recognised expenses of RMB4,909,000, deferred development costs of RMB567,000, cost of sales of RMB43,000 and inventories of RMB210,000 for the year ended 31 December 2020. Meanwhile, the Company has recognised RMB25,610,000 as other payables and accruals and other reserve due to the restricted share repurchase obligation of the Company till the end of the unlocking period.

As at the end of the year, 6,722,187.50 ordinary shares of the 2018 Share Award Scheme and the 2020 Share Award Scheme were still locked, and the related other payables and accruals due from the repurchase obligation were RMB61,911,000.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) MAJOR NON-CASH TRANSACTIONS

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB166,035,000 (2019: RMB18,162,000) and RMB166,035,000 (2019: RMB18,162,000), respectively, and non-cash disposals to right-of-use assets of RMB9,973,000 (2019: nil) in respect of lease arrangements for plant and machinery.

(b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES:

	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Interest payable included in other payables and accruals RMB'000
2020			
At 1 January 2020	**431,127**	**178,262**	**3,920**
New leases	**–**	**166,035**	**–**
Changes from financing cash flows	**1,107,707**	**(57,258)**	**(28,338)**
Disposals	**–**	**(9,973)**	**–**
COVID-19-related rent concessions from lessors	**–**	**(81)**	**–**
Foreign exchange movement	**(577)**	**(240)**	**–**
Interest expense	**2,385**	**16,230**	**25,090**
At 31 December 2020	**1,540,642**	**292,975**	**672**
2019			
At 1 January 2019	336,076	191,942	2,824
New leases	–	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

(c) TOTAL CASH OUTFLOW FOR LEASES

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	**3,774**	249
Within investing activities	**–**	211,654
Within financing activities	**57,258**	43,950
	61,032	255,853

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 21 and 25, respectively, to the financial statements.

33. COMMITMENTS

(a) THE GROUP HAD THE FOLLOWING CAPITAL COMMITMENTS AT THE END OF THE REPORTING PERIOD:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
plant and machinery	**697,843**	496,411

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for these non-cancellable lease contracts are RMB3,180,000 (2019: RMB59,000) due within one year, and RMB16,124,000 (2019: RMB5,060,000) due in the second to fifth years, inclusive and nil (2019: RMB6,106,000) due after five years.

34. CONTINGENT LIABILITIES

At the end of the 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責任公司") ("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

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) NAME AND RELATIONSHIPS OF THE RELATED PARTIES *(CONTINUED)*

Name	Relationship with the Group
Chongqing Fuchuang Pharmaceuticals Research Co., Ltd.* ("重慶復創醫藥研究有限公司") ("Chongqing Fuchuang")	Fellow subsidiary
Fosun Pharma USA Inc ("Fosun USA")	Fellow subsidiary
Gland Pharma Limited ("Gland Pharma")	Fellow subsidiary
Shanghai Xin Shihua Investment Management Co., Ltd.* ("上海新施華投資管理有限公司") ("Xin Shihua")	Fellow subsidiary
Shanghai Fudehui Trading Co., Ltd.* ("上海復得惠貿易有限公司") ("Shanghai Fudehui")	Fellow subsidiary
Shanghai Bohao Laboratory Co., Ltd.* ("上海伯豪醫學檢驗所有限公司") ("Shanghai Bohao")	Fellow subsidiary
Shanghai Old Temple Gold Co., Ltd.* ("上海老廟黃金有限公司") ("Old Temple Gold")	Fellow subsidiary
Shanghai Yilian Enterprise Management Co., Ltd.* ("上海一鏈企業管理有限公司") ("Shanghai Yilian")	Fellow subsidiary
Shanghai Old Town God's Temple Food Sales Co., Ltd.* ("上海老城隍廟食品銷售有限公司") ("Old Town God's Temple")	Fellow subsidiary
Shanghai Zhiqia Information Technology Service Co., Ltd.* ("上海智洽信息科技服務有限公司") ("Shanghai Zhiqia")	Fellow subsidiary
Beijing Highland Property Management Co., Ltd.* ("北京高地物業管理有限公司") ("Beijing Highland")	Fellow subsidiary
Kuyi International Travel Service (Shanghai) Co., Ltd.* ("酷怡國際旅行社(上海)有限公司") ("Kuyi Travel")	Fellow subsidiary
Shanghai Xingfu Enterprise Management Consulting Co., Ltd.* ("上海星服企業管理諮詢有限公司") ("Shanghai Xingfu")	Fellow subsidiary
Sinopharm Group Co., Ltd. and its subsidiaries ("國藥控股股份有限公司"及其子公司") ("Sinopharm")	Associate of the ultimate parent company
Chongqing Pharmaceutical (Group) Co., Ltd. and its subsidiaries ("重慶醫藥(集團)股份有限公司"及其子公司) ("Chongqing Pharma")	Associate of the ultimate parent company
Yong'an Property Insurance Co., Ltd.* ("永安財產保險股份有限公司") ("Yong'an Property")	Associate of the ultimate holding company
Fosun United Health Insurance Co., Ltd.* ("復星聯合健康保險股份有限公司") ("Fosun United")	Associate of the ultimate holding 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	2020 RMB'000	2019 RMB'000
Licensing revenue provided to related parties			
Fosun Pharma Industrial Development	(i)	**10,398**	8,578
Jiangsu Wanbang	(i)	**359**	–
		10,757	8,578
Services provided to related parties			
Fosun Pharma Industrial Development	(ii)	**154**	236
Kai Mao Bio-pharma	(ii)	**37**	–
Chongqing Fuchuang	(ii)	**–**	69
		191	305
Sales of goods to related parties			
Jiangsu Fosun	(iii),(v)	**273,079**	75,418
Sinopharm	(iii),(v)	**61,397**	891
Chongqing Pharma	(iii)	**7,933**	–
		342,409	76,309
Sales of materials to a related party			
Fosun Pharma Industrial Development		**65**	–
Services purchased from related parties			
Jiangsu Wanbang	(iv)	**1,026**	–
Scott Shi-Kau Liu	(iv)	**969**	–
Fosun USA	(iv)	**664**	–
Shanghai Xingfu	(iv)	**581**	–
Kai Mao Bio-pharma	(iv)	**253**	77
Fosun Pharma	(iv),(v)	**237**	–
Shanghai Fudehui	(iv),(v)	**235**	–
Old Temple Gold	(iv),(v)	**185**	–
Gland Pharma	(iv)	**163**	–
Clone High Tech	(iv)	**153**	–
Fosun United	(iv)	**124**	–
Jiangsu Fosun	(iv)	**56**	–
Sinopharm	(iv),(v)	**11**	–
Fosun Pharma Industrial Development	(iv)	**9**	2,315
Beijing Fosun	(iv)	**–**	302
Others	(iv),(v)	**187**	–
		4,853	2,694

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

	Notes	2020 RMB'000	2019 RMB'000
Purchase of materials from Sinopharm	(iv),(v)	**2,292**	940
Purchase of SAP software from Fosun Pharma	(iv)	**3,326**	–
Purchase of right-of-use assets from Clone High Tech	(iv),(v)	**41,996**	3,723
Rental services provided by			
Kai Mao Bio-pharma	(iv)	**57**	68
Xin Shihua	(iv)	**35**	–
		92	68

Notes:

(i) The Group granted exclusive licences of the Group's certain biopharmaceutical products in the PRC to related parties after the Group obtains the market distribution authorisation of such products from government authorities. The Group received advance payments from the customers accordingly. The licensing revenue is recognised over the commercialisation 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.

(ii) The research and development services provided 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.

(iii) The sales of biopharmaceutical products 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.

(iv) The purchases and rental services from related parties were charged in accordance with the terms and conditions offered by the related parties to their unrelated customers.

(v) The related party transactions in respect of the sale of goods to Jiangsu Fosun and Sinopharm, services purchased from Shanghai Fosun High Technology (Group) Co., Ltd. and Sinopharm, purchase of materials from Sinopharm and purchase of right-of-use assets from Clone High Tech above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Group confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of these transactions.

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) OUTSTANDING BALANCES WITH RELATED PARTIES

	Notes	2020 RMB'000	2019 RMB'000
Amounts due from related parties			
Trade receivables			
Jiangsu Fosun	(i)	**81,583**	28,295
Sinopharm	(i)	**50,121**	212
Chongqing Pharma	(i)	**5,649**	–
		137,353	28,507
Prepayments, deposits and other receivables			
Kuyi Travel	(ii)	**14**	–
Sinopharm	(ii)	**13**	–
Others	(ii)	**9**	–
		36	–
Amounts due from related parties			
Trade payables			
Sinopharm	(iii)	**301**	117
Shanghai Xingfu	(iii)	**78**	–
Shanghai Fudehui	(iii)	**32**	–
Fosun Pharma Industrial Development	(iii)	**–**	1,792
		411	1,909
Other payables and accruals			
Fosun Pharma	(iv)	**3,676**	–
Jiangsu Fosun	(iv)	**56**	–
Shanghai Bohao	(iv)	**7**	–
		3,739	–
Lease liabilities			
Clone High Tech	(v)	**141,726**	141,795
Contract liabilities			
Fosun Pharma Industrial Development	(vi)	**330,958**	317,344
Jiangsu Wanbang	(vi)	**85,872**	86,232
		416,830	403,576

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) OUTSTANDING BALANCES WITH RELATED PARTIES *(CONTINUED)*

Notes:

(i) The amounts due from related parties in the trade receivables were trade in nature, unsecured, interest-free and repayable within 90 days.

(ii) The amounts due from related parties in the prepayments, deposits and other receivables were trade in nature, unsecured, interest-free and have no fixed terms of repayment.

(iii) The amounts due to related parties in trade payables were trade in nature, unsecured, interest-free and repayable. The outstanding balances were repayable within 30 days.

(iv) The amounts due to related parties in other payables and accruals were non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

(v) The Company rented plant and machinery from Clone High Tech and recognised the corresponding lease liabilities. The maturity profile of the lease liabilities due to Clone High Tech as at 31 December 2020 is as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**28,382**	20,513
In the second year	**29,641**	24,066
In the third to fifth years, inclusive	**79,249**	68,639
Beyond five years	**4,454**	28,577
	141,726	141,795

(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 recognised which represented the significant financing component in the revenue contract.

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(d) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	2020 RMB'000	2019 RMB'000
Fees	**1,060**	300
Other emoluments:		
Salaries, allowances and benefits in kind	**19,038**	10,653
Performance related bonuses	**8,399**	2,157
Staff welfare expenses	**–**	534
Share award scheme	**12,266**	14,926
Total compensation paid to key management personnel	**40,763**	28,570

Further details of Directors', supervisors' and chief executives' 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

	2020 RMB'000	2019 RMB'000
Trade receivables	**196,213**	29,830
Financial assets included in prepayments, deposits and other receivables	**23,996**	25,248
Pledged deposits	**–**	3,559
Cash and cash equivalents	**1,114,309**	2,301,092
	1,334,518	2,359,729

FINANCIAL LIABILITIES AT AMORTISED COST

	2020 RMB'000	2019 RMB'000
Trade and bills payables	**298,952**	240,158
Financial liabilities included in other payables and accruals	**162,401**	326,742
Interest-bearing bank and other borrowings	**1,833,617**	609,389
	2,294,970	1,176,289

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	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings (non-current portion) (other than lease liabilities)	**424,197**	190,430	**419,423**	190,313

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and the 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 finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

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 the 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 2020

	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 (non-current portion) (other than lease liabilities)	–	419,423	–	419,423

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 (non-current portion) (other than lease liabilities)	–	190,313	–	190,313

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include 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 receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Directors reviews and agrees policies for managing each of these risks and they are summarised below.

INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group does not use derivative financial instruments to hedge its interest rate risk. At 31 December 2020, approximately 85% (2019: 100%) of the Group's interest-bearing bank and other borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in equity RMB'000
Year ended 31 December 2020		
RMB	**25**	**(977)**
RMB	**(25)**	**977**

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 the 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 2020		
If the RMB weakens against the USD	**5**	**40,999**
If the RMB strengthens against the USD	**(5)**	**(40,999)**
If the NTD weakens against the USD	**5**	**232**
If the NTD strengthens against the USD	**(5)**	**(232)**
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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

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.

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 2020

	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 receivables*	–	–	–	201,499	201,499
Financial assets included in prepayments, deposits and other receivables					
– Normal**	23,996	–	–	–	23,996
Cash and cash equivalents					
– Not yet past due	1,114,309	–	–	–	1,114,309

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 receivables*	–	–	–	35,130	35,130
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

* For trade 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)*

CREDIT RISK *(CONTINUED)*

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

At the end of the reporting period, the Group had certain concentrations of credit risk as 40% (2019: 81%) and 62% (2019: 99%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

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 2020

	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	298,952	–	–	298,952
Financial liabilities included in other payables and accruals	162,401	–	–	162,401
Lease liabilities	83,738	195,827	75,399	354,964
Interest-bearing bank and other borrowings (excluding lease liabilities)	1,139,042	278,084	218,816	1,635,942
	1,684,133	473,911	294,215	2,452,259

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
Lease liabilities	55,052	154,705	24,964	234,721
Interest-bearing bank and other borrowings (excluding lease liabilities)	249,024	203,988	–	453,012
	870,976	358,693	24,964	1,254,633

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

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 2020 and 31 December 2019.

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:

	2020 RMB'000	2019 RMB'000
Interest-bearing bank and other borrowings (note 25)	**1,833,617**	609,389
Less: Cash and cash equivalents	**1,114,309**	2,301,092
Net debt	**719,308**	(1,691,703)
Equity attributable to owners of the parent	**3,198,772**	4,000,415
Capital and net debt	**3,918,080**	2,308,712
Gearing ratio	**18%**	N/A*

As at 31 December 2019, 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 was presented.

39. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of these financial statements, there have been no significant events after the end of the reporting period.

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:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**177,791**	136,668
Intangible assets	**2,513,534**	1,821,006
Investments in subsidiaries	**2,175,230**	1,787,440
Right-of-use assets	**70,669**	82,253
Other non-current assets	**2,414**	73,996
Total non-current assets	**4,939,638**	3,901,363
CURRENT ASSETS		
Trade receivables	**81,733**	41,737
Prepayments, deposits and other receivables	**1,098,362**	1,055,176
Cash and cash equivalents	**947,460**	1,971,788
Total current assets	**2,127,555**	3,068,701
CURRENT LIABILITIES		
Trade and bills payables	**229,978**	198,457
Other payables and accruals	**402,912**	347,649
Contract liabilities	**52,225**	32,008
Interest-bearing bank and other borrowings	**788,052**	201,868
Total current liabilities	**1,473,167**	779,982
NET CURRENT ASSETS	**654,388**	2,288,719
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,594,026**	6,190,082
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**145,639**	274,681
Contract liabilities	**520,870**	572,515
Deferred income	**56,083**	24,927
Total non-current liabilities	**722,592**	872,123
Net assets	**4,871,434**	5,317,959
EQUITY		
Share capital	**543,495**	543,495
Reserves (Note)	**4,327,939**	4,774,464
Total equity	**4,871,434**	5,317,959

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 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 and 1 January 2020	**5,737,861**	**23,912**	**(987,309)**	**4,774,464**
Loss for the year	**–**	**–**	**(640,193)**	**(640,193)**
Unlocking of restricted shares (note 30)	**216,375**	**(68,758)**	**–**	**147,617**
Equity-settled share-based payments (note 30)	**–**	**46,051**	**–**	**46,051**
At 31 December 2020	**5,954,236**	**1,205**	**(1,627,502)**	**4,327,939**

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 26 March 2021.

DEFINITIONS

In this annual report, the following expressions have the meanings set out below unless the context requires otherwise.

"2018 Share Award Scheme"	the share award scheme adopted pursuant to the original operating procedure of the employee equity incentive scheme signed in April 2018
"2020 Participants"	employees of the Company or its subsidiaries who will participate in the 2020 Share Award Scheme
"2020 Share Award Scheme"	the share award scheme adopted pursuant to the operating procedure of the 2020 employee equity incentive scheme
"Accord"	Accord Healthcare Limited
"Administrative Framework Agreement"	the framework agreement dated 24 June 2020 entered into between Fosun High Tech and the Company relating to the procurement of services and products for administrative purpose between the Remaining Fosun High Tech Group and the Group, as renewed on 31 December 2020
"Articles of Association"	the articles of association of the Company
"Ascentage Pharma"	Ascentage Pharma Group International
"Binacea"	Binacea pharma Inc., a limited liability company incorporated in the Cayman Islands in February 2020
"Biopharmaceutical Products"	the self-developed biopharmaceutical products (except for HLX01 and HLX03, the distribution of which is governed by the HLX01 Agreement and the HLX03 Agreement, respectively) of the Group
"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
"CG Code"	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
"CHMP"	The committee for Medicinal Products for Human Use
"Clone High Tech"	Shanghai Clone High Technology Co., Ltd.* (上海克隆生物高技術有限公司) a limited liability company incorporated under the laws of the PRC and a wholly-owned subsidiary of Fosun Pharma
"Company" or "Henlius"	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
"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
"Essex"	Essex Investment and Zhuhai Essex
"Essex Bio-Technology"	Essex Bio-Technology Limited.* (億勝生物科技有限公司), a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange

"Essex Investment"	Essex Bio-Investment Limited, a company incorporated in British Virgin Islands with limited liability, a wholly-owned subsidiary of Essex Bio-Technology
"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
"Framework Property Leasing Agreement"	the framework property leasing agreement dated 31 December 2019 entered into between the Company and Clone High Tech in relation to the leasing of the premises
"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
"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
"HenLink"	HenLink, Inc., a company incorporated in the Cayman Islands on 15 August 2014 and a Shareholder whose beneficial owners are certain employees of the Group
"Henlius Biopharmaceuticals"	Shanghai Henlius Biopharmaceuticals Co., Ltd.* (上海復宏漢霖生物製藥有限公司), a wholly owned subsidiary of the Company

DEFINITIONS

"Henlius Pharmaceutical"	Shanghai Henlius Biologics Co., Ltd.* (上海復宏漢霖生物醫藥有限公司), a wholly-owned subsidiary of the Company
"HK$ or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HLX01 Agreement"	the cooperation agreement dated 18 September 2015 entered into with Fosun Pharma Industrial Development relating to cooperation arrangements for HLX01
"HLX03 Agreement"	the cooperation agreement dated 18 September 2017 entered into with Jiangsu Wanbang (Group) Biopharmaceutical Co., Ltd., a wholly-owned subsidiary of Fosun Pharma, relating to the cooperation arrangements for HLX03
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or the "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"Intas"	Intas Pharmaceuticals Limited, founded in 1976 and headquartered in India
"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"	16 April 2021, 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
"MAA"	marketing authorisation application
"mAb"	monoclonal antibodies
"Mabxience"	Mabxience Research, S.L.
"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
"NeuPharma"	Suzhou NeuPharma Co., Ltd.* (蘇州潤新生物科技有限公司)
"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

"Promotional Services Agreement"	the agreement entered into by Henlius Biopharmaceuticals and Jiangsu Fosun on 24 August 2020 in relation to the provision of promotional services by Jiangsu Fosun to the Group, as amended by a supplemental agreement on 31 December 2020
"Prospectus"	the prospectus issued by the Company on 12 September 2019 in connection with the Global Offering
"R&D"	research and development
"Remaining Fosun High Tech Group"	Fosun High Tech and its subsidiaries, excluding the Group
"Reporting Period"	the year ended 31 December 2020
"Resigned 2018 Participants"	the participants of the 2018 Share Award Scheme who were no longer employed by the Group as at 17 November 2020
"Restricted Interest"	the interests held by the Resigned 2018 Participants in Shanghai Guoyun or HenLink (as the case may be) that remain subject to the transfer restrictions under the 2018 Share Award Scheme
"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 the Company
"SAP Implementation Agreement"	the agreement dated 24 June 2020 entered into between Fosun Pharma and the Company relating to the project implementation of services the SAP system of the Company
"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
"Shanghai Guoyun"	Shanghai Guoyun Biotech Partnership Enterprise (Limited Partnership)* (上海果運生物技術合夥企業（有限合夥）), a company incorporated in the PRC on 9 August 2017 and a Shareholder whose beneficial owners are certain employees of the Group
"Share(s)"	ordinary shares with nominal value of RMB1.00 each in the share capital of the Company
"Sinopharm"	Sinopharm Group Co. Ltd.*, (國藥控股股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed and traded on the Stock Exchange
"Sinopharm Distribution Framework Agreement"	the distribution framework agreement dated 24 April 2020 entered into between the Company and Sinopharm relating to the distribution of the Biopharmaceutical Products by the Group to Sinopharm Group
"Sinopharm Group"	Sinopharm and its subsidiaries
"Sinopharm Industrial Investment"	Sinopharm Industrial Investment Co. Ltd.*, (國藥產業投資有限公司), a company incorporated in the PRC on 5 June 2008 and the controlling shareholder of Sinopharm
"Sinopharm Procurement Framework Agreement"	the procurement framework agreement dated 24 April 2020 entered into between the Company and Sinopharm relating to the procurement of (i) warehousing and logistic services and (ii) raw materials by the Group from Sinopharm Group
"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
"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
"USD"	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
"Zhuhai Essex"	Zhuhai Essex Bio-Pharmaceutical Company Limited* (珠海億勝生物製藥有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Essex Bio-Technology

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 certificate given in China and their English translations, the Chinese version shall prevail.

* *For identification purpose only*