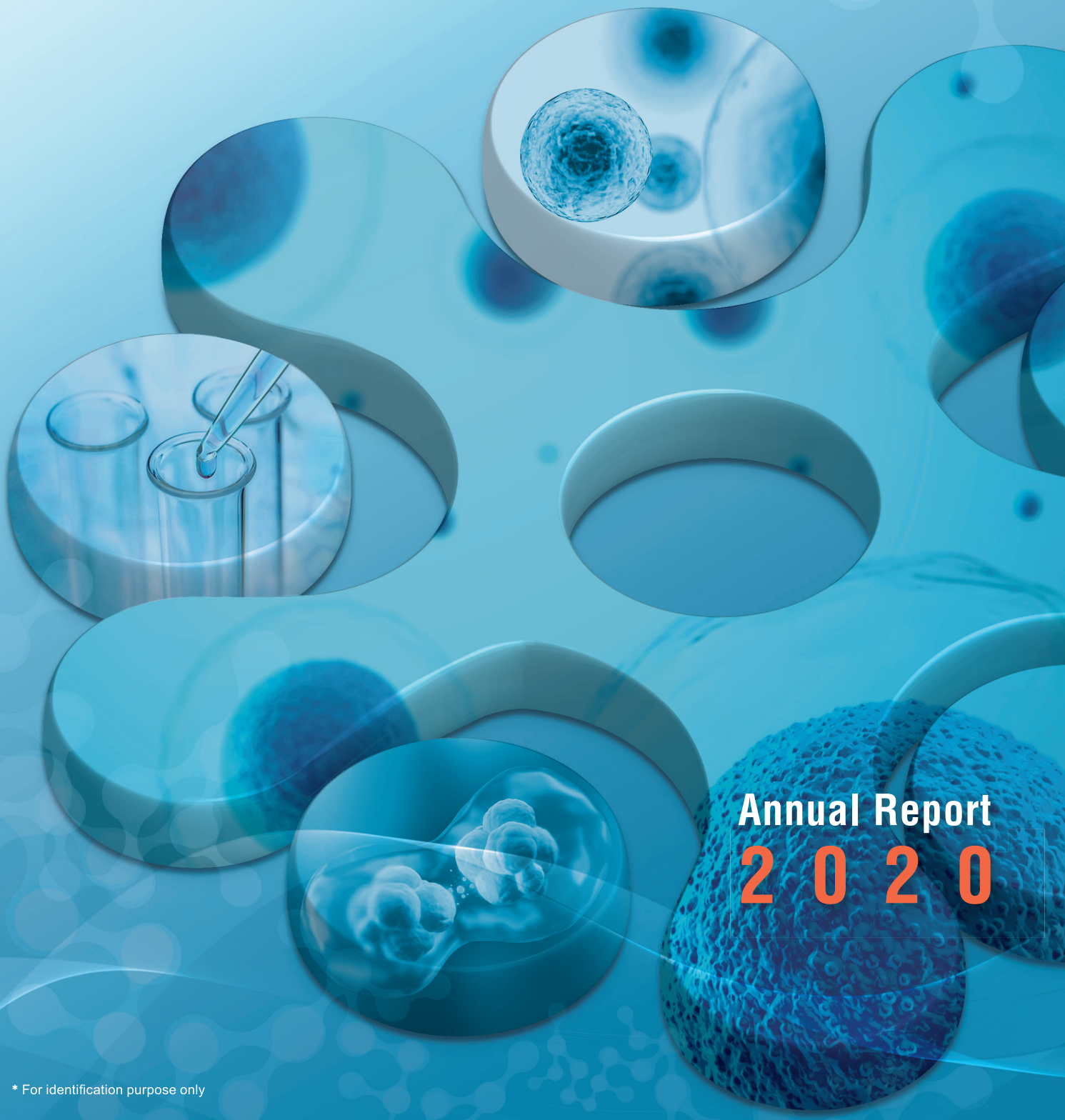
药明巨诺
JW Therapeutics

JW (Cayman) Therapeutics Co. Ltd

藥明巨諾(開曼)有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2126



Annual Report 2020

* For identification purpose only

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Corporate Information

BOARD OF DIRECTORS

Executive Director

Dr. Yiping James Li *(Chairman)*

Non-executive Directors

Mr. Hans Edgar Bishop
Dr. Krishnan Viswanadhan
Ms. Xing Gao (高星)
Dr. Ann Li Lee
Mr. Jinyin Wang (王金印)
Dr. Cheng Liu

Independent Non-executive Directors

Mr. Yanling Cao (曹彦凌)
Mr. Chi Shing Li (李志成)
Mr. Yiu Leung Andy Cheung (張耀樑)
Mr. Kin Cheong Kelvin Ho (何建昌)

AUDIT COMMITTEE

Mr. Yiu Leung Andy Cheung (張耀樑) *(Chairman)*
Ms. Xing Gao (高星)
Mr. Kin Cheong Kelvin Ho (何建昌)

REMUNERATION COMMITTEE

Mr. Chi Shing Li (李志成) *(Chairman)*
Mr. Hans Edgar Bishop
Mr. Yiu Leung Andy Cheung (張耀樑)

NOMINATION COMMITTEE

Mr. Chi Shing Li (李志成) *(Chairman)*
Dr. Krishnan Viswanadhan
Mr. Yanling Cao (曹彦凌)

COMPANY SECRETARY

Ms. Suet Wing Leung (梁雪穎)

AUTHORIZED REPRESENTATIVES

Dr. Yiping James Li
Ms. Suet Wing Leung (梁雪穎)

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STOCK CODE

2126

COMPANY'S WEBSITE

www.jwtherapeutics.com

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of JW (Cayman) Therapeutics Co. Ltd and its subsidiaries (collectively, the "**Company**"), I am pleased to present the annual report of the Company for the year ended December 31, 2020.

JW Therapeutics is a leading clinical stage cell therapy company. Since our founding in 2016, we have built an integrated platform focused on developing, manufacturing and commercializing breakthrough cell-based immunotherapies. Our lead product candidate, relmacabtagene autoleucel or "relma-cel," is a potential superior anti-CD19 chimeric antigen receptor T-cell ("**CAR-T**") therapy intended for the treatment of a range of hematological cancers.

Despite the tremendous challenge of the COVID-19 pandemic, 2020 was a transformative year in our Company's history. In June 2020, we submitted a new drug application ("**NDA**") to the National Medical Products Administration of China ("**NMPA**") relating to relma-cel as a third-line treatment for diffuse large B-cell lymphoma ("**DLBCL**"), and the NMPA accepted our NDA for review shortly thereafter. In September 2020, the NMPA granted priority review to our NDA and Breakthrough Therapy Designation for relma-cel as a treatment for follicular lymphoma ("**FL**"). In addition, in May 2020, we completed our Series B financing round for total consideration of US$100 million, and on November 3, 2020 (the "**Listing Date**"), we successfully completed our Listing on the Hong Kong Stock Exchange, raising HKD2.5 billion after exercise of the underwriters' over-allotment option. Moreover, in terms of business development, we entered into significant agreements with Eureka Therapeutics, Inc. and Lyell Immunopharma, Inc., which we anticipate will permit synergies by complementing our historical hematological franchise with a pipeline of solid tumor focused cell therapy candidates.

Since the Listing Date, we have achieved further milestones, including (i) completion of Good Clinical Practice inspections at our clinical sites; (ii) commencement of patient enrollment for a Phase II registrational trial in China to evaluate relma-cel in certain mantle cell lymphoma ("**MCL**") patients; and (iii) receipt of a Drug Production License for relma-cel from the Shanghai Medical Products Administration. We believe that these achievements have laid a solid foundation for the Company's future development.

Driven by our Company's mission, we have adhered to the sustainable development concept in our operation and strategy, and continually strengthened our Environmental, Social and Governance ("**ESG**") mechanisms. We built up a comprehensive quality control mechanism on developing breakthrough cell-based immunotherapies to bring hope to patients. Meanwhile, we are committed to providing a safe, healthy, innovative and diverse & inclusive working environment for our employees, and we adopt measures for environmental protection and resource conservation. In the future, we will continue our efforts to constantly create value for our employees, Shareholders and the society.

Our Listing on the Hong Kong Stock Exchange in November 2020 marked a major milestone in our strategic development. It was a significant recognition of our solid track record, and it optimized our capital structure to provide us with an efficient platform for capital raising in the future. With the proceeds from the Global Offering, we believe that we will be able to capture greater opportunities in the future to bring value to our Shareholders.

Following the NMPA's anticipated acceptance of our NDA relating to relma-cel, we intend to drive full-scale commercialization of relma-cel, with a specific focus on manufacturing, sales and marketing/academic education. Concurrently, we intend to:

- Advance our indication expansion and earlier-line strategy for relma-cel;
- Advance JWCAR129 to the IND phase and commence IND-enabling studies for JWATM204; and
- Continue to enhance our manufacturing and supply chain through innovation and scale.

Looking forward, we believe that the Company is well positioned to take advantage of the rapidly growing market for cell-based immunotherapies in China, based on our potential superior anti-CD19 CAR-T product; our comprehensive and differentiated cell therapy pipeline covering both hematological cancers and solid tumors; our fully integrated cell therapy development platform; our leading commercial manufacturing infrastructure and supply chain; and our seasoned management and strong Shareholders' support.

On behalf of the Board, I would like to thank all of our staff and management team for their determination, diligence and dedication. I would also like to extend our heartfelt gratitude for the continued support that we have received from our Shareholders and business partners. Although the Listing represents a key milestone in the history of our Company, it is just the beginning of a greater journey. We will continue to strive towards realization of our vision of developing innovative cell therapies for the China market to transform the treatment of cancer for Chinese patients.

Dr. Yiping James Li
Chairman and Chief Executive Officer

IFRS MEASURES

	Year ended December 31,	
	2020	2019
	(RMB'000)	*(RMB'000)*
Revenue	**—**	—
General and administrative expenses	**(231,294)**	(72,892)
Research and development expenses	**(225,215)**	(136,107)
Selling expenses	**(13,268)**	—
Other income	**1,322**	5,483
Other gains/(losses), net	**27,617**	(1,165)
Operating loss	**(440,838)**	(204,681)
Finance income	**3,441**	1,820
Finance costs	**(770)**	(1,351)
Finance income — net	**2,671**	469
Fair value changes of preferred shares	**(1,190,797)**	(128,781)
Fair value changes of warrants	**(34,839)**	(300,264)
Loss before income tax	**(1,663,803)**	(633,257)
Income tax expense	**—**	—
Loss for the year	**(1,663,803)**	(633,257)
Non-IFRS measure:		
Adjusted Loss for the Year	**(303,917)**	(188,769)

- Our research and development expenses increased by RMB89.1 million to RMB225.2 million for the year ended December 31, 2020, compared to RMB136.1 million for the year ended December 31, 2019, primarily due to an increase in staff costs allocated to research and development and increase in testing and clinical fees, which resulted principally from clinical research activities including on-going clinical trial on third-line diffuse large B-cell lymphoma ("**DLBCL**") and initiative cost incurred on indications for relmacabtagene autoleucel ("**relma-cel**") such as follicular lymphoma ("**FL**"), mantle cell lymphoma ("**MCL**") and second-line DLBCL.

- Our general and administrative expenses increased by RMB158.4 million to RMB231.3 million for the year ended December 31, 2020, compared to RMB72.9 million for the year ended December 31, 2019, primarily due to an increase of RMB103.9 million in share-based compensation allocated to general and administrative expenses, as well as RMB35.6 million in Listing expenses associated with our Listing on the Stock Exchange in November 2020.

- Our selling expenses amounted to RMB13.3 million for the year ended December 31, 2020, compared to nil for the year ended December 31, 2019, as we established our sales and marketing capabilities in advance of the anticipated commercialization of relma-cel in 2021.

- Loss for the year increased by RMB1,030.5 million to RMB1,663.8 million for the year ended December 31, 2020, compared to RMB633.3 million for the year ended December 31, 2019, primarily due to increases in loss on fair value changes of preferred shares and in operating loss, and partially offset by the decrease in fair value loss on warrants. Fair value changes of preferred shares and warrants were one-time, non-cash adjustments resulting from our Listing on the Hong Kong Stock Exchange as required under IFRS.

	For the year ended December 31,		
	2018	2019	**2020**
	RMB'000	*RMB'000*	***RMB'000***
Operating results			
Revenue	—	—	**—**
General and administrative expenses	41,259	72,892	**231,294**
Research and development expenses	75,989	136,107	**225,215**
Selling expenses	—	—	**13,268**
Other income	215	5,483	**1,322**
Other gains/(losses), net	4,801	(1,165)	**27,617**
Loss for the year	(272,616)	(633,257)	**(1,663,803)**
Loss per share			
Basic and diluted (RMB Yuan)	(4.19)	(9.74)	**(12.61)**

	As at December 31,		
	2018	2019	**2020**
	RMB'000	*RMB'000*	***RMB'000***
Financial position			
Total current assets	171,314	261,340	**2,647,359**
Total non-current assets	169,508	407,279	**1,132,133**
Total assets	340,822	668,619	**3,779,492**
Total current liabilities	225,290	122,817	**237,045**
Total non-current liabilities	428,733	1,488,141	**112,712**
Total liabilities	654,023	1,610,958	**349,757**
Net current assets/(liabilities)	(53,976)	138,523	**2,410,314**
Total equity/(deficit)	(313,201)	(942,339)	**3,429,735**

NON-IFRS MEASURE

To supplement the Group's consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted loss for the year as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that these adjusted measures provide useful information to shareholders and potential investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

The table below sets forth a reconciliation of loss to adjusted loss for the years indicated:

	Year ended December 31,	
	2020	2019
	(RMB'000)	*(RMB'000)*
Loss for the year	**(1,663,803)**	(633,257)
Added:		
Fair value changes of warrants	**34,839**	300,264
Fair value changes of preferred shares	**1,190,797**	128,781
Share-based compensation expenses	**134,250**	15,443
Adjusted loss for the year (Non-IFRS)	**(303,917)**	(188,769)

Our adjusted loss[1] was RMB303.9 million for the year ended December 31, 2020, representing an increase of RMB115.1 million from RMB188.8 million for the year ended December 31, 2019. The increase was primarily due to listing expenses associated with our listing on the Hong Kong Stock Exchange in November 2020, increased cash expenses for staff allocated to research and development, fees and expenses for testing and clinical trials, selling expenses associated with the establishment of our sales and marketing capabilities in 2020 and the first-time consolidation of the results of operations of Syracuse Biopharma (Hong Kong) Limited ("**Syracuse Hong Kong**") for the six months ended December 31, 2020.

[1] Adjusted loss for the year is not a financial measure defined under IFRS. It represents the loss for the year excluding the effect of the following non-cash items: (a) loss on fair value changes of preferred shares; (b) loss on fair value changes of warrants; and (c) share-based compensation expenses. For the calculation and reconciliation of this non-IFRS measure, please refer to "Management Discussion and Analysis — Financial Review — 13. Non-IFRS Measure".

2020 was a transformative year in our Company's history. In June 2020, we submitted a NDA to the NMPA relating to relma-cel as a third-line treatment for DLBCL, and the NMPA accepted our NDA for review shortly thereafter. In September 2020, the NMPA granted priority review to our NDA and Breakthrough Therapy Designation for relma-cel as a treatment for FL. Moreover, in May 2020 we completed our Series B financing round for total consideration of US$100 million, and on November 3, 2020, we successfully completed our listing on the Hong Kong Stock Exchange, raising HKD2.5 billion after exercise of the underwriters' over-allotment option. Moreover, in terms of business development, we entered into significant agreements with Eureka Therapeutics, Inc. ("**Eureka**") and Lyell Immunopharma, Inc. ("**Lyell**"), which we anticipate will permit synergies by complementing our historical hematological franchise with a pipeline of solid tumor focused cell therapy candidates.

Since the Listing Date, we have achieved the following further milestones:

- In December 2020, we reported safety and efficacy results from our Phase II registrational clinical trial of relma-cel as a third-line treatment for DLBCL at the 62nd Annual Meeting of the American Society of Hematology.

- In December 2020, the NMPA completed Good Clinical Practice inspections at our clinical sites located in Beijing, Shanghai, Nanjing and Guangzhou; and in February 2021, the Shanghai Medical Products Administration granted us a Drug Production License for relma-cel. These approvals represent important steps toward NMPA approval of our NDA relating to relma-cel.

- In January 2021, we commenced patient enrollment for a Phase II registrational trial in China to evaluate relma-cel in MCL patients who previously received chemotherapy, anti-CD20 agent or Bruton's tyrosine kinase ("**BTK**") inhibitor.

BUSINESS REVIEW

Overview

The Company is a leading clinical stage cell therapy company in China. Since our founding in 2016, we have built an integrated platform focused on developing, manufacturing and commercializing breakthrough cell-based immunotherapies for hematological cancers and solid tumors. Our vision is to develop innovative cell therapies for the China market to transform the treatment of cancer for Chinese patients.

We are an early entrant into the field of cell-based immunotherapy in China. Cell-based immunotherapies, including CAR-T treatments, are an innovative treatment method that uses human immune cells to fight cancer, representing a paradigm shift and the latest innovation in cancer treatment.

Given the unmet medical needs that can be effectively addressed by CAR-T therapies, the market for CAR-T therapies in China is expected to grow from RMB0.6 billion in 2021 to RMB5.4 billion in 2024 and to RMB24.3 billion in 2030, according to Frost & Sullivan. We believe that we are well-positioned to take advantage of this growing market, based on our potential superior anti-CD19 CAR-T product; our comprehensive and differentiated cell therapy pipeline covering both hematological cancers and solid tumors; our fully integrated cell therapy development platform; our leading commercial manufacturing infrastructure and supply chain; and our seasoned management and strong Shareholders' support.

Our Product Pipeline

We have developed a comprehensive and differentiated cell-based immunotherapy pipeline, with a risk-balanced approach that has shown clear benefit in the field of cell therapies for hematological cancers and provides an opportunity to expand into the nascent field of cell therapies for solid tumors. Our product pipeline features a mix of product candidates targeting both proven and novel tumor antigens. The following chart summarizes the current development status of each of our product candidates:

	Product	Target	Indication	Commercial Rights	Pre-clinical / IND / Phase I / Pivotal / Phase II / Pivotal / Phase III / NDA	NMPA Classification	Partner
Hematologic Malignancies	JWCAR029 / Relmacabtagene Autoleucel (relma-cel) **[3]	CD19	3L DLBCL	Mainland China, Hong Kong, Macau*	Submitted in June 2020 and received priority review in September 2020	Category I	JUNO Bristol Myers Squibb Company
			3L FL	Mainland China, Hong Kong, Macau*	Registrational trial		
			3L MCL	Mainland China, Hong Kong, Macau*	Registrational trial		
			2L DLBCL	Mainland China, Hong Kong, Macau*			
			3L ALL	Mainland China, Hong Kong, Macau*			
			3L CLL	Mainland China, Hong Kong, Macau*			
	JWCAR129[4]	BCMA	r/r MM	Mainland China, Hong Kong, Macau*	IND enabling	Category I	JUNO Bristol Myers Squibb Company
	Nex-G	CD19	NHL	Mainland China, Hong Kong, Macau*		Category I	JUNO Bristol Myers Squibb Company
Solid Tumors	JWATM203	AFP	HCC	Mainland China, Hong Kong, Macau, Taiwan, and member countries of ASEAN*	2	Category I	EUREKA
	JWATM213[1]	AFP	HCC	Mainland China, Hong Kong, Macau, Taiwan, and member countries of ASEAN*		Category I	EUREKA Lyell
	JWATM204	GPC3	HCC	Mainland China, Hong Kong, Macau, Taiwan, and member countries of ASEAN*	2	Category I	EUREKA
	JWATM214[1]	GPC3	HCC	Mainland China, Hong Kong, Macau, Taiwan, and member countries of ASEAN*		Category I	EUREKA Lyell

Abbreviations: DLBCL = diffuse large B-cell lymphoma; FL = follicular lymphoma; MCL = mantle cell lymphoma; ALL = acute lymphoblastic leukemia; CLL = chronic lymphocytic leukemia; MM = multiple myeloma; NHL = non-Hodgkin lymphoma; HCC = hepatocellular carcinoma; NSCLC = non-small cell lung cancer; AFP = alpha-fetoprotein; GPC3 = glypican-3; r/r = relapsed or refractory; 3L = third-line; 2L = second-line

* Mainland China, Hong Kong, Macau and Taiwan refer to Mainland China, Hong Kong (China), Macau (China) and Taiwan (China), respectively.

** Denotes a Core Product Candidate.

1 Developing using Lyell technology.

2 JWATM203 and JWATM204 are currently in Phase I/II trials in the US conducted by Eureka under an IND application.

3 Relma-cel is based on the same CAR construct as the product lisocabtagene maraleucel (liso-cel) of Juno, which is the subject of a biologics license application approved by the U.S. Food and Drug Administration in February 2021.

4 JWCAR129 is based on the same CAR construct as Juno's product orvacabtagene autoleucel (orva-cel).

Our Core Product Candidate — relma-cel

Relma-cel, our lead product candidate, has the potential to be a superior CAR-T therapy. It targets an antigen called CD19, which is expressed in a broad range of hematological cancers, including diffuse large blood cell lymphoma. Lymphomas are hematological cancers involving lymphoceles of the immune system, and DLBCL is one of several types of "non-Hodgkin's lymphoma" ("**NHL**") that affect B-cells within the immune system. To fully explore the clinical potential for relma-cel, we are developing relma-cel not only as a third-line treatment for DLBCL, but also as a third-line treatment for other types of NHL, including FL, MCL, chronic lymphocytic leukemia ("**CLL**") and acute lymphoblastic leukemia ("**ALL**"), and moreover as a second-line treatment for DLBCL.

Relma-cel is based on a CAR construct that we have in-licensed from Juno for Mainland China, Hong Kong and Macau[2]. Juno's biologics license application for its product based on that same CAR construct ("**lisocabtagene maraleucel**" or "**liso-cel**") was approved by the U.S. Food and Drug Administration in February 2021.

Third-line DLBCL

In June 2020, we submitted our NDA relating to relma-cel as a third-line treatment for DLBCL to the NMPA. The NMPA accepted our NDA shortly thereafter and granted us priority review status in September 2020. If our NDA is approved on the timeline that we currently anticipate, relma-cel is expected to be the first CAR-T therapy approved as a Class 1 Biologics product in China.

Relma-cel's potential to be a superior CAR-T therapy is based on its potential best-in-class safety profile and competitive efficacy. Our Phase II registrational clinical trial of relma-cel as a third-line treatment for DLBCL demonstrated efficacy results of best objective response rate ("**ORR**") of 75.9% and best complete response rate ("**CRR**") of 51.7% as of the data cut-off date of June 17, 2020. In the same trial, severe cytokine release syndrome ("**sCRS**") was observed in 5.1% of treated patients, severe neurotoxicity ("**sNT**") was observed in 3.4% of treated patients, and no treatment-related deaths were reported. We reported these findings at the 62nd Annual Meeting of the American Society of Hematology in December 2020. Although head-to-head studies with comparable products have not been conducted, we believe that these data demonstrate the potential best-in-class safety profile and competitive efficacy of relma-cel.

[2] Mainland China, Hong Kong and Macau refer to Mainland China, Hong Kong (China) and Macau (China), respectively.

We currently anticipate that the NMPA will approve our NDA for use of relma-cel as a third-line treatment for DLBCL in 2021. We have established manufacturing capacity and are in the process of building up sales and marketing capabilities with the goal of commencing full-scale commercialization of relma-cel immediately upon receipt of approval of our NDA from the NMPA. For further information on our manufacturing capacity and our sales and marketing capabilities, please see "— Manufacturing" and "— Commercialization" below.

In December 2020, the NMPA completed Good Clinical Practice inspections at our clinical sites located in Beijing, Shanghai, Nanjing and Guangzhou, and in addition, in February 2021, the Shanghai Medical Products Administration granted us a Drug Production License for relma-cel. These approvals represent important steps toward NMPA approval of our NDA relating to relma-cel.

Third-line FL

In September 2020, the NMPA granted Breakthrough Therapy Designation for relma-cel as a treatment for FL. We currently are conducting a single arm Phase II registrational trial to evaluate relma-cel in low-grade FL patients, and we anticipate that trial follow-up will be completed in 2021.

Third-line MCL

We have started a single arm Phase II registrational trial in China to evaluate relma-cel in MCL patients who previously received chemotherapy, anti-CD20 agent or BTK inhibitor. Patient enrollment began in January 2021.

Third-line CLL

We intend to conduct a single arm early phase trial in China to evaluate relma-cel in high-risk relapsed or refractory CLL patients. We expect that this study will commence in 2021.

Third-line ALL

We intend to conduct a single arm Phase I/II registrational trial in China to evaluate relma-cel in pediatric and young adult patients with r/r ALL after at least two prior lines of therapy. We expect that this study will commence in 2021, subject to ongoing discussion with the Centre for Drug Evaluation ("**CDE**") of the NMPA.

Second-line DLBCL

In the third quarter of 2020, we commenced a single arm Phase I trial in China to evaluate relma-cel in DLBCL patients who are refractory to primary treatment. We anticipate that data from this trial will be used to establish a multi-center trial in second-line DLBCL patients, such as those with primary progressive disease, and expanded to sufficient patient numbers to support registration for this indication.

Cautionary Statement required by Rule 18A.05 of the Listing Rules: We cannot guarantee that we will be able to successfully develop or ultimately market relma-cel. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

Other Pipeline Products

JWCAR129

JWCAR129 is an autologous CAR-T therapy that we are developing for the treatment of multiple myeloma ("**MM**"). MM is a cancer of plasma cells, which are an important part of the immune system formed from matured B-cells to produce antibodies that help the body to attack and kill germs. MM is a condition in which plasma cells become cancerous and grow out of control.

JWCAR129 targets the B Cell maturation antigen ("**BCMA**"), a protein which is highly expressed in a number of hematological malignancies, including MM. We are conducting IND-enabling pre-clinical pharmacology and toxicology studies as well as manufacturing process development studies for JWCAR129, and we intend to begin clinical trials and file an IND in China relating to JWCAR129 in 2021.

JWCAR129 is based on a CAR construct that we have in-licensed from Juno (the H125 vector). Juno's "orvacabtagene autoleucel" ("**orva-cel**") is based on the same CAR construct. In February 2021, Bristol Myers Squibb ("**BMS**") (Juno's parent company) announced that it would discontinue clinical development of orva-cel. We understand that this decision was driven by BMS' streamlining of its anti-BCMA product portfolio. On the other hand, we also understand that this decision was not related to the clinical profile of orva-cel, and BMS has stated that the orva-cel platform is an important part of their next generation strategy. We believe that orva-cel's clinical profile is competitive and intend to continue our development in MM with products using the orva-cel CAR construct in China to bring forward meaningful new options for patients in need.

JWATM204/214

JWATM204 is a potentially superior autologous T-cell receptor ("**TCR**") T-cell therapy candidate built on Eureka's ARTEMIS® and E-ALPHA® platforms and targeting glypican-3 ("**GPC3**") for the treatment of hepatocellular carcinoma ("**HCC**"). Treatment of HCC represents a huge unmet medical need in China, and we believe that JWATM204 has the potential to be a promising treatment for patients with GPC3-positive HCC. In June 2020, we in-licensed from Eureka the rights to develop, manufacture and commercialize JWATM204 for Mainland China, Hong Kong, Macau, Taiwan[3] and the member countries of the Association of Southeast Asian Nations (the "**JW Territory**"). We are currently conducting a technical transfer of the product manufacturing and release assays for the JWATM204 program, and we anticipate initiating IND-enabling studies for the program in 2021.

Through our partnerships with Eureka and Lyell, we also plan to combine Lyell's technology in T-cell anti-exhaustion functionality with JWATM204 to create JWATM214, a next-generation innovative autologous cell therapy for HCC treatment.

JWATM203/213

JWATM203 is a potentially superior autologous T-cell receptor mimic ("**TCRm**") T-cell therapy targeting alpha-fetoprotein ("**AFP**") for the treatment of HCC. In June 2020, we in-licensed from Eureka the rights to develop, manufacture and commercialize JWATM203 for the JW Territory.

As with JWATM204, we also plan to combine Lyell's technology in T-cell anti-exhaustion functionality with JWATM203 and Eureka's ARTEMIS® technology platform to create JWATM213, an additional autologous cell therapy for HCC treatment.

Nex-G anti-CD19 Product Candidate

We are developing a set of new technologies and platforms to enable the next generation CAR-T product and manufacturing processes with shorter production cycle time, higher quality, better product characterization and improved product efficacy and safety, at a lower cost. We believe that this will establish a foundation for our next-generation autologous anti-CD19 product, as well as other products in our pipeline.

Cautionary Statement required by Rule 18A.05 of the Listing Rules: We cannot guarantee that we will be able to successfully develop or ultimately market our pipeline products. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

[3] Mainland China, Hong Kong, Macau and Taiwan refer to Mainland China, Hong Kong (China), Macau (China) and Taiwan (China), respectively.

Potential Pipeline Products

We expect to continue to enrich our pipeline by bringing in novel next generation cell therapy candidates through opportunities to in-license. We have a right of first negotiation on the opportunity to develop and commercialize Juno engineered T-cell products in Mainland China, Hong Kong and Macau. In addition, we have a right to acquire an exclusive license to manufacture, develop and use certain Acepodia Biotechnologies, Ltd. ("**Acepodia**") products targeting human epidermal growth factor receptor 2 ("**HER2**") and an undisclosed target in Mainland China, Hong Kong and Macau. The following chart sets forth current information about our opportunities to in-license:

	Product	Target	Indication	Commercial Rights	Pre-clinical	IND	Clinical	NDA	Partner
Hematologic Malignancies	JWACE055#	Undisclosed ##	Hematologic tumors	Mainland China, Hong Kong, Macau*					Acepodia
	Juno Pipeline Product 1^	CD22	ALL, NHL	Mainland China, Hong Kong, Macau*					JUNO Bristol Myers Squibb Company
Solid Tumors	JWACE002#	HER2	Solid tumors	Mainland China, Hong Kong, Macau*					Acepodia
	Juno Pipeline Product 2^	WT1	AML, NSCLC, Mesothelioma	Mainland China, Hong Kong, Macau*					JUNO Bristol Myers Squibb Company
	Juno Pipeline Product 3^	L1CAM	Solid tumors	Mainland China, Hong Kong, Macau*					JUNO Bristol Myers Squibb Company
	Juno Pipeline Product 4^	MUC16	Solid tumors	Mainland China, Hong Kong, Macau*					JUNO Bristol Myers Squibb Company
	Juno Pipeline Product 5^	ROR1	Solid tumors	Mainland China, Hong Kong, Macau*					JUNO Bristol Myers Squibb Company

Abbreviations: ALL = acute lymphoblastic leukemia; NHL = non-Hodgkin lymphoma; AML = acute myeloid leukemia; NSCLC = non-small cell lung cancer; HER2 = human epidermal growth factor receptor 2

* Mainland China, Hong Kong and Macau refer to Mainland China, Hong Kong (China) and Macau (China), respectively.

^ We have the right of first negotiation on the opportunity to develop and commercialize these Juno pipeline products in Mainland China, Hong Kong and Macau.

\# JWACE055 and JWACE002 will become part of our pipeline when we exercise the related option with Acepodia. Acepodia's IND for JWACE002 was approved by the U.S. Food and Drug Administration in January 2020.

\## JWACE055 target is not disclosed due to commercial sensitivity.

Manufacturing

In June 2020, we received a production license from Jiangsu Province authorities for our new commercial manufacturing facility in Suzhou. This facility provides approximately 10,000 square meters for commercial and clinical manufacturing in compliance with Current Good Manufacture Practices ("**cGMP**") and Quality Management System ("**QMS**") standards. It is designed to house four independent modules. The design of these modules can be adapted to support all cell platforms, including those using gene-modified autologous T-cells and NK cells, gene-modified or non-gene-modified tumor-infiltrating lymphocyte and gene-modified allogeneic immune cells, as well as facilities to produce clinical grade viral vectors that are used to genetically modify these cells. Currently, two of these modules have been constructed and qualified and are in full GMP operations, and our manufacturing facility currently has the capacity to support autologous CAR-T treatment of up to 2,500 patients per year.

Our manufacturing facility is designed to address all of the major challenges associated with scaling up from clinical scale to commercial scale manufacturing, which represents a paradigm shift in which product quality, regulatory compliance, process reliability, scalability and cost of goods all become critical factors. We believe the degree of automation that we have designed into our commercial manufacturing processes positions us as a leader in terms of CAR-T manufacturing.

We have had a 100% success rate for the manufacturing of relma-cel during our DLBCL registrational clinical trial, which we believe compares favorably to other approved anti-CD19 CAR-T treatments.

In February 2021, we announced the collaboration with Thermo Fisher Scientific Inc. ("**Thermo Fisher**") to ensure non-exclusive commercial access to Thermo Fisher's Gibco CTS Dynabeads CD3/CD28. This agreement will support the clinical development and commercial manufacturing relma-cel as well as future CAR-T therapies in China. As we approach critical milestones in our commercialization strategy, we expect that this partnership will ensure we have the supply to scale up and meet important unmet medical needs of Chinese patients.

Commercialization

As CAR-T therapies are a new and comprehensive treatment process that is unlike any other treatment currently approved in the market, we expect that significant efforts will be necessary to educate physicians and patients on the potential benefits of CAR-T therapies, and to demonstrate the proper process in administering and monitoring the treatment (including timeline and proportionate measures to mitigate adverse effects).

We plan to build a focused in-house sales and marketing team to market relma-cel across China. Our initial target is to create, at the initial commercialization of relma-cel, a sales team of approximately 60 to 70 people to cover approximately 50 of the top hospitals in China with the best hematological and transplantation centers, which are equipped with the technology and physicians to administer our CAR-T therapies. For the year ended December 31, 2020, we incurred selling expenses of RMB13.3 million, substantially all of which related to the initial establishment of our sales and marketing team.

In addition, because physicians are expected to play a key role in this process, not only in administering CAR-T therapies but also in educating patients about their potential benefits, we intend to design our marketing and academic education strategy around close and continued engagement with physicians. We plan to enhance our existing collaboration with these physicians and other KOLs through establishment of a specialized team for medical affairs, which will oversee the training and support that we provide to physicians.

Business Development in 2020

In January 2020, we entered into an option and license agreement with Acepodia, pursuant to which Acepodia granted us an option to acquire an exclusive license to develop, manufacture and commercialize two Acepodia products in Mainland China, Hong Kong and Macau. One of these Acepodia products, which we call JWACE002, is a novel allogeneic natural killer cell product that targets the HER2 for treatment of endometrial cancer, ovarian cancer, breast cancer and gastric cancer.

In June 2020, we acquired from Syracuse Cayman, a subsidiary of Eureka, the right to develop, manufacture and commercialize two specified Eureka products in the JW Territory, together with certain rights to use Eureka's ARTEMIS® and E-ALPHA® platforms and certain other assets. The two relevant Eureka products target the antigens AFP and GPC3, respectively, and are intended for the treatment of HCC, as described in greater detail above "Our Product Pipeline — Other Pipeline Products — JWATM204/214" and "— JWATM203/213". We expect this acquisition to permit synergies by complementing our historical hematological franchise with a pipeline of solid tumor focused cell therapy candidates.

In August 2020, we entered into a development and commercialization agreement with Lyell, pursuant to which Lyell granted us, among other things, a license to combine Lyell technology (T-cell anti-exhaustion functionality) with the rights that we had in-licensed from Eureka to develop, manufacture and commercialize further products targeting AFP and GPC3 for the treatment of HCC in the JW Territory. These further products also are described above under "Our Product Pipeline — Other Pipeline Products — JWATM204/214" and "— JWATM203/213".

Hong Kong Stock Exchange Listing and Initial Public Offering (the "IPO")

In November 2020, we achieved a major milestone in the evolution of our Company with the listing of our Shares on the Main Board of the Hong Kong Stock Exchange and the concurrent global offering of 97.7 million Shares, consisting of a Hong Kong public offering and an international offering (the "**Global Offering**"), in a transaction valued at approximately HKD2.5 billion after exercise of the underwriters' over-allotment option in 11.7 million ordinary shares. The Listing and the closing of the Global Offering took place on November 3, 2020, and over-allotment of ordinary shares were issued on December 2, 2020. The proceeds of the Global Offering will help us to drive research and development and marketing for relma-cel and other pipeline products, including JWCAR129, JWATM204/214 and JWATM203/213, as well as commercialization of relma-cel and business development to complement our existing platform. Please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus for further details.

Impact of COVID-19

The COVID-19 outbreak since the end of 2019 has not caused any early termination of our clinical trials or necessitated removal of any patients enrolled in our clinical trials. We have employed various measures to mitigate any impact the COVID-19 outbreak may have on our ongoing clinical trials in China, including cooperating with clinical trial sites to offer personal protection equipment such as masks to our enrolled patients, engaging frequent communications with our principal investigators to identify and address any issues that may arise. Although we experienced minor delays in the patient enrollment process and data entry for certain of our clinical trials in China at the beginning of the COVID-19 outbreak, we have not experienced any significant impact on our regulatory progress, especially for relma-cel. In June 2020, the NMPA accepted for review our NDA relating to relma-cel as a third-line treatment for DLBCL, and in September 2020 the NMPA granted priority review status to our NDA relating to relma-cel and Breakthrough Therapy Designation for relma-cel as a treatment for FL. We do not expect the COVID-19 outbreak to have any material long-term impact on our clinical trials or our overall clinical development plans. Moreover, we experienced no significant delay in manufacturing plans and schedules, and we were able to achieve the significant milestone of obtaining a Production License from Jiangsu Province in June 2020. In addition, we worked very closely with our suppliers, some have experienced delivery challenges due to COVID-19 related supply demands, and managed to avoid supply chain disruptions that would have impacted our manufacturing plans.

In light of the COVID-19 outbreak, we have endeavored to provide a safe work environment. We established a Pandemic Response Taskforce in January 2020, which monitored daily updates on national and local government policy changes. We implemented twice daily temperature checks and daily reporting of health status and travel history for all employees and onsite contractors, as well as a stringent visitors policy. We significantly increased the frequency of disinfections for all our facilities, and implemented policies on social distancing and facility ventilation.

We believe the COVID-19 outbreak has not significantly impacted our ability to carry out our obligations under existing contracts or disrupted any supply chains that we rely upon. While the extent to which the COVID-19 outbreak will affect our operations cannot be predicted at this stage, we have not experienced and do not expect significant financial damage or impact to our long-term commercial prospect from the COVID-19 outbreak.

Future and Development

In addition to driving full-scale commercialization of relma-cel, we intend to focus on pursuing the following strategies as we pursue our vision of developing innovative cell therapies for the China market to transform the treatment of cancer for Chinese patients:

Solidify our leadership in hematological cancers by developing relma-cel for earlier lines of treatment and additional indications, as well as clinical development of JWCAR129

Our approach to expand relma-cel's indications involves two key pillars: advancing relma-cel into earlier lines of DLBCL treatment and developing relma-cel as a potential therapy for other hematological cancers that express the CD19 antigen. Furthermore, to expand our product portfolio and solidify our leadership in hematological cancers, we intend to drive clinical development of JWCAR129. As patients with MM are afflicted by frequent complications, for which there continues to be no viable cure, we believe that MM is a market with significant untapped potential.

Leverage our integrated cell therapy platform to expand into the solid tumor market

Our solid tumor portfolio is headlined by JWATM203 and JWATM204. We acquired the rights to develop, manufacture and commercialize these products in the JW Territory from Eureka in June 2020. Moreover, in August 2020, we entered into a collaboration agreement with Lyell pursuant to which we obtained the right to use Lyell's T-cell anti-exhaustion technology in conjunction with Eureka's ARTEMIS® platform to create JWATM213 and JWATM214 and to develop, commercialize and manufacture those products in the JW Territory. We believe there is an opportunity to use these technologies as a platform for multiple new cell therapies that can be applied across a broad range of rare and prevalent solid tumors, including HCC as well as others.

Continuously enhance our manufacturing and supply chain through innovation and scale

Our current manufacturing processes have so far demonstrated a 100% success rate for the manufacturing of relma-cel throughout the Phase II registrational clinical trial. However, we intend to invest in further optimizing our manufacturing processes through technological enhancements and achieving economies of scale, with the ultimate goal of making the production of our cell therapies better, faster, and more cost effective.

Grow our business through in-licensing opportunities, partnerships and selective acquisitions, as well as in-house research and development

Since the establishment of our Company, we have used a mix of in-licensing opportunities, selective acquisitions and in-house R&D to fuel our growth into a leading cell therapy player in China. We leveraged our exclusive licenses of certain rights from Juno to introduce relma-cel and JWCAR129 into our pipeline, and we acquired rights from Eureka and Lyell that enabled us to introduce JWATM203/213 and JWATM204/214 into our pipeline.

We believe we have established a reputation in China as a preferred partner in cell therapy due to our proprietary platform and clinical track record, and we plan to leverage our platform and network to focus on potential opportunities in the cell therapy space that we deem to possess high growth or breakthrough technology potential. These potential opportunities include but are not limited to growth opportunities in alternative allogeneic approaches and new cellular targets which we believe represent novel and groundbreaking approaches to the treatment of cancer.

Moreover, we have significantly enhanced our discovery platform through acquisition in June 2020 of certain rights to use Eureka's ARTEMIS® and E-ALPHA® platforms, and we intend to leverage our enhanced discovery platform to potentially identify and develop the next groundbreaking solution in cell therapy.

Finally, we plan to continue to leverage our network of strategic partners including Juno and WuXi AppTec, leaders in the cell therapy field and the contract research organization field, respectively, as we continue to advance into new, undiscovered cellular targets and treatments.

FINANCIAL REVIEW

Overview

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

	Year ended December 31,	
	2020	2019
	(RMB'000)	*(RMB'000)*
Revenue	**—**	—
General and administrative expenses	**(231,294)**	(72,892)
Research and development expenses	**(225,215)**	(136,107)
Selling expenses	**(13,268)**	—
Other income	**1,322**	5,483
Other gains/(losses), net	**27,617**	(1,165)
Operating loss	**(440,838)**	(204,681)
Finance income	**3,441**	1,820
Finance costs	**(770)**	(1,351)
Finance income — net	**2,671**	469
Fair value changes of preferred shares	**(1,190,797)**	(128,781)
Fair value changes of warrants	**(34,839)**	(300,264)
Loss before income tax	**(1,663,803)**	(633,257)
Income tax expense	**—**	—
Loss for the year	**(1,663,803)**	(633,257)
Non-IFRS measure:		
Adjusted loss for the year	**(303,917)**	(188,769)

1. Overview

Our loss for the year increased from RMB633.3 million for the year ended December 31, 2019 to RMB1,663.8 million for the year ended December 31, 2020. This increase was primarily due to an increase of RMB1,062 million in fair value loss on preferred shares and an increase of RMB236.2 million in operating loss, the effects of which were partially offset by a decrease of RMB265.4 million in fair value loss on warrants.

Our adjusted loss increased from RMB188.8 million for the year ended December 31, 2019 to RMB303.9 million for the year ended December 31, 2020, primarily as a result of (i) listing expenses associated with our listing on the Hong Kong Stock Exchange in November 2020, (ii) increased cash expenses for staff allocated to research and development, (iii) increased fees and expenses for testing and clinical trials, (iv) selling expenses associated with the establishment of our sales and marketing capabilities in 2020, and (v) the first-time consolidation of Syracuse Hong Kong's results of operations for the six months ended December 31, 2020.

2. Effect of the Asset Purchase Agreement with Syracuse Cayman

As noted above, in June 2020, we acquired from Syracuse Cayman, a subsidiary of Eureka, the right to develop, manufacture and commercialize two specified Eureka products in the JW Territory, together with certain rights to use Eureka's ARTEMIS® and E-ALPHA® platforms and certain other assets. This acquisition took the form of a purchase of all assets of Syracuse Cayman, including 100% of the capital stock of Syracuse Hong Kong, which had been a wholly-owned subsidiary of Syracuse Cayman. The results of operations of Syracuse Hong Kong have been consolidated into our results of operations with effect as of June 30, 2020. The acquired business contributed net loss of RMB12.5 million to our consolidated results of operations since the date of acquisition.

3. Revenue

For the years ended December 31, 2019 and 2020, we did not generate any revenue in either year.

4. Research and Development Expenses

The following table provides a breakdown of our research and development expenses for the years ended December 31, 2019 and 2020.

	Year ended December 31,	
	2020	2019
	(RMB'000)	*(RMB'000)*
Employee benefit expenses	**102,051**	52,935
— *Share-based compensation expenses*	***22,790***	*10,801*
R&D materials	**41,763**	33,180
Testing and clinical fees	**47,108**	27,818
Depreciation and amortization	**20,841**	14,949
Office expenses	**5,988**	5,649
Others	**7,464**	1,576
Research and development expenses	**225,215**	136,107

Our research and development expenses increased from RMB136.1 million for the year ended December 31, 2019 to RMB225.2 million for the year ended December 31, 2020. This increase was primarily due to an increase of RMB49.1 million in staff costs allocated to research and development, which resulted principally from (i) an increase in headcount allocated to research and development and (ii) an increase of RMB12.0 million in share-based compensation expenses. The increase in research and development expenses was also due in part to an increase of approximately RMB19.3 million in testing and clinical fees, which resulted principally from clinical research activities including on-going clinical trial on third-line DLBCL and initiative cost incurred on indications for relma-cel such as FL, MCL and second-line DLBCL.

5. General and Administrative Expenses

The following table provides a breakdown of our general and administrative expenses for the years ended December 31, 2019 and 2020.

	Year ended December 31,	
	2020	2019
	(RMB'000)	*(RMB'000)*
Employee benefit expenses	**148,671**	43,900
— Share-based compensation expenses	***108,497***	*4,642*
Professional service fees	**25,689**	14,110
Depreciation and amortization	**2,749**	2,354
Office expenses	**8,777**	6,783
Audit remuneration	**2,356**	358
Non-audit remuneration	**758**	178
Listing expenses	**35,564**	—
Others	**6,730**	5,209
General and administrative expenses	**231,294**	72,892

Our general and administrative expenses increased from RMB72.9 million for the year ended December 31, 2019 to RMB231.3 million for the year ended December 31, 2020. This increase resulted primarily from an increase of RMB104.8 million in staff costs allocated to general and administrative expenses, virtually all of which was attributable to an increase in share-based compensation expenses. The increase in general and administrative expenses was also due in part to: (i) listing expenses of RMB35.6 million relating to our listing on the Hong Kong Stock Exchange in November 2020 and (ii) an increase of RMB11.6 million in professional service fees, which resulted from higher recruiting fees associated with enrollment of more employees as we expanded our business, as well as higher routine professional charges including intellectual property related to trademarks in advance of the anticipated development plan of pipelines.

6. Selling Expenses

For the year ended December 31, 2020, we incurred selling expenses of RMB13.3 million, consisting primarily of staff costs of RMB8.3 million allocated to sales and marketing and commercial activity fees of RMB3.4 million. Of staff costs allocated to sales and marketing, RMB3.0 million consisted of share-based compensation.

7. Other Gains and Losses

Our other gains and losses amounted to net other gains of RMB27.6 million for the year ended December 31, 2020, as compared to net other losses of RMB1.2 million for the year ended December 31, 2019. This development resulted primarily from a foreign exchange gain of RMB28.9 million for the year ended December 31, 2020, as compared to a foreign exchange loss of RMB1.1 million for the year ended December 31, 2019. The foreign exchange gain in 2020 was due to an unrealized gain from the changes in foreign currency exchange rates where the transactional currency was different from the functional currency of the operating subsidiary.

8. Other Income

Our other income amounted to RMB1.3 million for the year ended December 31, 2020, as compared to RMB5.5 million for the year ended December 31, 2019. Our other income in both years was related to government grants.

9. Fair Value Changes of Preferred Shares

Fair value change of preferred shares increased from a loss of RMB128.8 million for the year ended December 31, 2019 to a loss of RMB1,190.8 million for the year ended December 31, 2020. The loss on the fair value changes of preferred shares was a non-cash and non-recurring accounting adjustment recognised as of the Listing Date, as the fair value of the preferred shares was deemed to be increased upon the completion of the IPO of the Company. As all of the Company's preferred shares were converted to ordinary shares upon the Listing Date, the Group will not incur any additional losses related to the fair value changes of preferred shares after the Listing Date.

10. Fair Value Changes of Warrants

Fair value change of warrants decreased from a loss of RMB300.3 million for the year ended December 31, 2019 to a loss of RMB34.8 million for the year ended December 31, 2020. This decrease was primarily due to Juno's exercise of its second warrant under the License and Strategic Alliance Agreement in May 2019 to purchase Series A2 Preferred Shares. In connection with the BCMA License Agreement, Juno exercised its first warrant to purchase Series X Preferred Share in November 2019, while Juno had not yet exercised its second warrant in 2020.

11. Income Tax Expense

For the years ended December 31, 2019 and 2020, we did not incur any income tax expense, as we did not generate taxable income in either year.

12. Loss for the Year

As a result of the foregoing factors, our loss for the year increased from RMB633.3 million in 2019 to RMB1,663.8 million in 2020.

13. Non-IFRS Measure

To supplement the Group's consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted loss for the year as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that these adjusted measures provide useful information to shareholders and potential investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

Adjusted loss for the year represents the loss for the year excluding the effect of certain non-cash items and one-time events, namely the loss on fair value changes of preferred shares, fair value changes of warrants and share-based compensation expenses. The term adjusted loss for the year is not defined under IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS. Our presentation of this adjusted figure may not be comparable to similarly titled measures presented by other companies. However, we believe that this non-IFRS measure reflects our core operating results by eliminating potential impacts of items that our management do not consider to be indicative of our core operating performance, and thus, facilitate comparisons of core operating performance from period to period and company to company to the extent applicable. The table below sets forth a reconciliation of loss to adjusted loss for the years indicated:

	Year ended December 31,	
	2020	2019
	(RMB'000)	*(RMB'000)*
Loss for the year	**(1,663,803)**	(633,257)
Added:		
Fair value changes of warrants	**34,839**	300,264
Fair value changes of preferred shares	**1,190,797**	128,781
Share-based compensation expenses	**134,250**	15,443
Adjusted loss for the year (Non-IFRS)	**(303,917)**	(188,769)

Selected Data from Statement of Financial Position

	As at December 31, 2020 *(RMB'000)*	2019 *(RMB'000)*
Total current assets	**2,647,359**	261,340
Total non-current assets	**1,132,133**	407,279
Total assets	**3,779,492**	668,619
Total current liabilities	**237,045**	122,817
Total non-current liabilities	**112,712**	1,488,141
Total liabilities	**349,757**	1,610,958
Net current assets	**2,410,314**	138,523

14. Liquidity and Sources of Funding and Borrowing

As at December 31, 2020, the Group's cash and cash equivalents increased to RMB2,630.6 million from RMB254.9 million as at December 31, 2019. The increase resulted from our issuance of Series B preferred shares in May 2020 and the proceeds of the Global Offering in November 2020 and over-allotment option exercised in December 2020.

As at December 31, 2020, our current assets amounted to RMB2,647.4 million, including bank balances and cash of RMB2,630.6 million and other current assets of RMB16.8 million. As at the same date, our current liabilities amounted to RMB237.0 million, including lease liabilities of RMB10.9 million, trade and other payables of RMB119.0 million, contingent consideration for business combination of RMB55.4 million and warrants of RMB51.7 million. As at December 31, 2020, we have an unsecured bank borrowings in the amount of RMB100.0 million for the construction of our commercial manufacturing facility in Suzhou, as compared to RMB50.8 million at December 31, 2019.

15. Key Financial Ratios

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

	December 31, 2020	2019
Current ratio[1]	**11.2**	2.1
Ratio of total liabilities to total assets[2]	**0.1**	2.4
Gearing ratio[3]	**NM**[4]	NM[4]

(1) Current ratio equals current assets divided by current liabilities as of the date indicated.

(2) Ratio of total liabilities to total assets equals total liabilities divided by total assets as of the date indicated.

(3) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by total equity and multiplied by 100%.

(4) Gearing ratio is not meaningful as our interest-bearing borrowings less cash equivalents was negative.

16. Material Investments

Except as disclosed above, we did not make any material investments during the year ended December 31, 2020.

17. Material Acquisitions and Disposals

Except as disclosed above, we did not engage in any material acquisitions or disposals during the year ended December 31, 2020.

18. Pledge of Assets

As at December 31, 2020, the Group had no pledge of assets.

19. Contingent Liabilities

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

20. Foreign Exchange Exposure

The Group mainly operated in Mainland China and a majority of its transactions were settled in Renminbi, the functional currency of the Company's primary subsidiaries. As at December 31, 2020, a significant amount of the Group's bank balances and cash was denominated in U.S. dollars and Hong Kong dollars. Except for certain bank balances and cash, other receivables, trade and other payables denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as at December 31, 2020. The Group currently does not have any foreign currency hedging transactions. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign exchange of the Group exposure should the need arise.

21. Employees and Remuneration

As at December 31, 2020, we had 364 employees. The following table sets forth the total number of employees by function as of December 31, 2020:

	Number of Employees	% of total
Technical operations	133	36.5
Quality	73	20.1
Medical	59	16.2
Business development and general administrative	12	3.3
Commercial	49	13.5
Support	38	10.4
Total	**364**	**100.0**

The total remuneration cost (including directors' emoluments) incurred by the Group for the year ended December 31, 2020 was RMB259.1 million, as compared to RMB96.8 million for the year ended December 31, 2019.

The remuneration of the employees of the Group comprises salaries, bonuses, employees provident fund and social security contributions, other welfare payments and share-based compensation expenses. In accordance with applicable Chinese laws, the Group has made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for the Group's employees.

The Company also has adopted the Pre-IPO Incentivization Scheme, the Restricted Share Unit Schemes and the Post-IPO Incentivization Scheme. Please refer to the section headed "Statutory and General Information — D. Share Incentivization Schemes" in Appendix V to the Prospectus for further details.

RECENT DEVELOPMENTS OF REGULATORY FRAMEWORK

Regulations of Good Pharmacovigilance Practice (Consultation Paper)

On December 3, 2020, the NMPA published the *Administrative Regulations of Quality of Pharmacovigilance Practice (Consultation Paper)* (《藥物警戒質量管理規範(徵求意見稿)》), which sets some principles on pharmacovigilance activities throughout the whole life cycle of drug. The Marketing Authorization Holder (the "**MAH**") and sponsor need to conduct pharmacovigilance according to the safety features of drug and continuously strengthen the pharmacovigilance monitoring during the whole life cycle of drug, so as to minimize the potential drug safety risks and protect public health.

Provisions for Post-Approval Changes of Drug (Trial)

In order to further standardize the post-marketing changes of drug and strengthen the connection between drug registration and production supervision, on January 13, 2021, the NMPA published the *Provisions for Post-approval Changes of Drug (Trial)* (《藥品上市後變更管理辦法(試行)》). According to the *Provisions for Post-approval Changes of Drug (Trial)*, the MAH is responsible for the change management after drug marketing. The MAH is also required to conduct post-marketing research of drug, continuously improve the quality, safety, effectiveness and quality controllability of drug, and carry out the whole life cycle management of drug. The *Provisions for Post-approval Changes of Drug (Trial)* provides basis for the MAH to manage the post-marketing changes of drug.

Technical Guidelines for Clinical Trials of Immune Cell Therapy Products (Trial)

In order to standardize the pharmaceutical research of immune cell therapy products, unify evaluation standards, and guide the research and declaration of immune cell therapy products, on February 10, 2021, CDE published the *Technical Guidelines for Clinical Trials of Immune Cell Therapy Products (Trial)* (《免疫細胞治療產品臨床試驗技術指導原則(試行)》). It specifies the clinical recommendations for immune cell therapy products in clinical trials under the framework of *the Guidelines for Research and Evaluation of Cell Therapy Products (Trial)* (《細胞治療產品研究與評價技術指導原則(試行)》) (December 22, 2017), provides guidance on the clinical design for exploratory and confirmatory trials of immune cell therapy products and outlines the suggestions on long-term follow-up and post-marketing study or surveillance.

Biosecurity Law of the PRC

Biosecurity is an important part of national security. In order to maintain national security, prevent and respond to biosafety risks, safeguard people's lives and health and bring about the harmonious coexistence of man and nature, the *Biosecurity Law of the PRC* (《中華人民共和國生物安全法》) is promulgated by the Standing Committee of the National People's Congress on October 18, 2020, and is effective from April 15, 2021. All the following activities shall be in compliance with the Biosecurity Law of the PRC, (1) prevention and control of major emerging infectious diseases and animal and plant epidemics, (2) biotechnology research, development and application, (3) biosecurity management in pathogenic microorganism laboratory, (4) safety management of human genetic resources and biological resources, (5) prevention of invasive species and protection of biodiversity, (6) responding to microbial drug resistance, (7) prevention of bioterrorism attack and biological weapons threat, and (8) other biosecurity related activities. All the enterprises and institutions shall incorporate biosecurity laws and regulations and biosecurity knowledge into internal training and strengthen the biosecurity awareness of employees.

Technical Guidelines for Non-Clinical Study and Evaluation of Genetically Modified Cell Therapy Products (Trial)

In order to standardize and provide guidance to the non-clinical study and evaluation of genetically modified cell therapy products, based on *the Guidelines for Research and Evaluation of Cell Therapy Products* (《細胞治療產品研究與評價指南》), CDE published the *Technical Guidelines for Non-Clinical Study and Evaluation of Genetically Modified Cell Therapy Products (Trial)* (《基因修飾細胞治療產品非臨床研究與評價技術指導原則(試行)》). It sets out the specific consideration and requirements for non-clinical study and evaluation of genetically modified cell therapy products.

Technical Guidelines on Conditional Approval of Drugs (Trial)

To promote the innovation, the *Technical Guidelines on Conditional Approval of Drugs (Trial)* (《藥品附條件批准上市技術指導原則(試行)》) specifies the criteria, technical requirements and pre-conditions of conditional approval. The quality of clinical data supporting the conditional approval should be in compliance with the requirements and criteria of the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use and the relevant guidance in China. In general, the requirements for chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products and non-clinical study are the same as those for marketed product via normal approval process. The MAH should carry out new or continue the ongoing clinical trials according to the specific conditions specified in the marketing authorization to provide sufficient evidence for normal approval.

Provisions for Clinical Use of Antineoplastic Drugs (Trial)

In order to strengthen the management of clinical use of antineoplastic drugs in medical institutions, increase the clinical use level of antineoplastic drugs and guarantee the medical care quality and medical safety, CDE issued the *Provisions for Clinical Use of Antineoplastic Drugs (Trial)* (《抗腫瘤藥物臨床應用管理辦法(試行)》). It applies to the management of clinical use of antineoplastic drugs in medical institutions in each level/kind which carry out diagnosis and treatment of tumor and use of antineoplastic drugs. The regulation specifies the classification, responsibilities of medical institutions and management of clinical use and supervision and administration of antineoplastic drugs.

Measures on the Administration of Investigator Initiated Studies Conducted by Medical and Health Institutions (Consultation Paper)

In order to standardize clinical study management, improve the quality of clinical study, promote development of clinical study, and increase the capability of the diagnosis, treatment, prevention and control of disease in medical institutions, the National Health Commission released the *Measures on the Administration of Investigator Initiated Studies Conducted by Medical and Health Institutions (Consultation Paper)* (《關於醫療衛生機構開展研究者發起的臨床研究管理辦法(徵求意見稿)》). It specifies the qualification of the research institutions and investigators carrying out investigator initiated trials ("**IIT**"), IIT classifications and principles, organizational management of research institutions, project establishment management, financial management, implementation management and supervision and administration of IIT.

Catalogue of Industries for Encouraging Foreign Investment (2020 Version) issued by National Development and Reform Commission and Ministry of Commerce

"*The Catalogue of Industries for Encouraging Foreign Investment*" is an important part of China's foreign investment promotion policy, and is one of the main bases for foreign investors and foreign-funded enterprises to enjoy preferential treatment. This is the first time for cell therapy drugs listed in the encouraged category with clear description as "88. research, development and production of cell therapy drugs (except in areas where foreign investment is prohibited)" (88. 細胞治療藥物研發與生產(禁止外商投資領域除外)).

The Directors are of the view that the above regulatory changes do not affect the Company's business as well as financial performance. The Group will continue to monitor the latest regulatory changes and evaluate the impacts of those changes on the Group's business and financial performance.

EVENTS AFTER THE REPORTING PERIOD

On January 10, 2021, the Company completed the treatment of 100 patients with relma-cel in clinical trials. As such, on February 19, 2021, the Company provided Juno a milestone payment in cash in an amount of approximately RMB32.3 million (equivalent to USD5 million) based on occurrence of treatment of 100 patients in connection with the License and Strategic Alliance Agreement.

On January 27, 2021, the Company issued 23,050 ordinary shares to Syracuse Cayman as partial settlement of the contingent consideration for business combination.

DIRECTORS

Executive Director

Dr. Yiping James Li ("**Dr. Li**"), **M.D.**, aged 57, is an executive Director, chairman of the Board and CEO. He joined our Group on February 15, 2016 as the chief executive officer and was appointed as our Director on November 14, 2017 and was re-designated as an executive Director on August 5, 2020. He is primarily responsible for the overall corporate management, strategic planning, business development, day-to-day management and product research and development of our Group.

Prior to joining our Company, Dr. Li was the founding general manager for Amgen Biotechnology Consulting (Shanghai) Co., Ltd.* (安進生物技術諮詢(上海)有限公司) ("**Amgen**") in China from January 2012 to July 2015.

From September 2006 to December 2011, Dr. Li was a partner in the life science practice of Kleiner Perkins Caufield & Byers, first in the US Pandemic Fund and later from December 2009 to January 2012, in its China Fund. He managed various investments such as early stage university spin out, growth stage companies and helped a portfolio company to go public in 2010.

From March 1991 to October 2006, Dr. Li served in various positions at Merck & Co. Inc. ("**Merck**") where he held leadership positions in clinical research and franchise management, both in the US and Asia, including obtaining regulatory approvals of Merck vaccines across the Asia Pacific region, building the foundations of Merck's medical operations in China and expanding Merck's franchise in Asia at the time.

Dr. Li obtained his medical degree from Shanghai Medical College of Fudan University* (復旦大學上海醫學院) (previously known as Shanghai Medical University* (上海醫科大學)) in the PRC in July 1987 and a master's degree in microbiology from the University of Montana in the United States in December 1991.

Non-executive Directors

Mr. Hans Edgar Bishop ("**Mr. Bishop**"), aged 57, is a non-executive Director of our Group. He joined the Group on November 14, 2017 and was appointed as a non-executive Director on the same date. Mr. Bishop has provided strategic guidance and high-level insight in relation to cellular therapy, particularly in the early stages of the Company.

Mr. Bishop has been the chief executive officer of Grail, Inc. since June 2019. He has extensive experience in the biotechnology industry. He co-founded Juno in August 2013 and served as its president and chief executive officer until the company was acquired by Celgene in March 2018. He currently serves as the chairman of the board of directors of Sana Biotechnology, Inc. (NASDAQ: SANA) and as a director of Agilent Technologies, Inc. (NYSE: A), and Lyell Immunopharma, Inc.

Dr. Krishnan Viswanadhan ("**Dr. Viswanadhan**"), aged 42, is a non-executive Director of our Group. He joined our Group on November 20, 2019 and was appointed as a non-executive Director on the same date. He is primarily responsible for supervising and providing oversight to the Board.

Dr. Viswanadhan has been acting as a senior vice president and global cell therapy franchise lead at BMS since August 2019. Prior to that, he served as Vice President of Business Development and Global Alliances at Celgene. Prior to that role, he was as an executive director, global project leader and development leader in 2014. Prior to that, he served at F. Hoffmann-La Roche Ltd. ("**Roche**") where he first began as program manager in the drug regulatory department in July 2002. In July 2001, Dr. Viswanadhan was appointed as a post-doctoral fellow at Rutgers University for a two-year program in industrial clinical pharmacy.

Dr. Viswanadhan obtained a bachelor of science degree and a doctor of pharmacy degree from Rutgers University in the United States in May 2001. He obtained a master of business administration degree from Cornell University in the United States in May 2010.

Ms. Xing Gao (高星) ("**Ms. Gao**"), aged 36, is a non-executive Director of our Group. She joined our Group on May 22, 2020 and was appointed as a non-executive Director on the same date. She is primarily responsible for supervising and providing oversight to the Board.

Ms. Gao has over 10 years of healthcare investment related experience. She currently serves as a principal at Beijing Panmao Consulting Co., Ltd.* (北京磐茂諮詢有限公司), a member of a leading alternative asset manager in the PRC. Prior to that, she worked as associate at N M Rothschild & Sons Limited from October 2011 to June 2013 and as an analyst at the Bank of America Merrill Lynch from June 2007 to September 2011.

Ms. Gao obtained a bachelor's degree in biochemical engineering from University College London in the United Kingdom in August 2008 and a master of business administration degree from Harvard Business School in the United States in May 2015.

Dr. Ann Li Lee, Ph.D. ("**Dr. Lee**"), aged 59, is a non-executive Director of our Group. She joined our Group on May 22, 2020 and was appointed as a non-executive Director on the same date. She is primarily responsible for supervising and providing oversight to the Board.

Dr. Lee possesses over 30 years of experience in the biopharmaceutical industry working on vaccines, small molecules, biologics and cell therapies. She has worked at BMS since November 2019, and she served at Celgene from April 2018 as executive vice president and head of cell therapy development and operations. Prior to that, she joined Juno as executive vice president of technical operations in November 2017. Earlier in her career, she served as vice president and senior vice president in Genentech, Inc. ("**Genentech**") and as global head of technical development at Roche. She also worked at Merck beginning in 1989 where she worked in vaccines R&D at levels of increasing responsibility, and was vice president of chemical technology and engineering in the Merck manufacturing division.

Dr. Lee obtained a Ph.D. in engineering and applied science from Yale University in the United States in May 1990. She obtained her bachelor of science degree from Cornell University in the United States in May 1983. She is an elected member of the National Academy of Engineering, fellow of the American Academy of Arts and Sciences and fellow of the American Institute for Medical and Biological Engineering.

Mr. Jinyin Wang (王金印) ("**Mr. Wang**"), aged 44, is a non-executive Director of our Group. He joined our Group on May 22, 2020 and was appointed as a non-executive Director on the same date. He is primarily responsible for supervising and providing oversight to the Board.

Mr. Wang is currently working at Mirae Asset Global Investments (Hong Kong) Limited since March 2020, advising on securities and asset management. He has over 13 years of private investment experience in China. Prior to his employment with Mirae Asset Global Investments (Hong Kong) Limited, he was appointed as the executive director and a chairman of Standard Chartered Corporate Advisory Co., Ltd in July 2012. He also worked as director at Olympus Capital Investment Co., Ltd.* (美岱安投資諮詢(上海)有限公司) from June 2009 to May 2012. He worked as an associate at Lehman Brothers Asia Limited from June 2007 to September 2008.

Mr. Wang obtained his master of business administration degree from Ross School of Business at University of Michigan in the United States in April 2007. He received his bachelor and master of finance degrees from University of International Business and Economics* (對外經濟貿易大學) in the PRC in June 1998 and June 2001, respectively.

Dr. Cheng Liu ("**Dr. Liu**"), aged 54, is a non-executive Director of our Group. He joined our Group on June 30, 2020 and was appointed as a non-executive Director on the same date. He is primarily responsible for supervising and providing oversight to the Board.

Dr. Liu is the founder and has served as the president and chief executive officer of Eureka since May 2006. Prior to that, Dr. Liu was a principal scientist in antibody drug discovery at Chiron Corporation (now integrated into Novartis), where he championed the anti-CSF1 antibody program for the treatment of bone metastases to human clinical trials. He is the inventor of multiple issued US patents in drug discovery. In 2007, he was awarded a Special US Congressional Recognition for his contributions to improving human health.

Dr. Liu received his bachelor's degree in cell biology and genetics from Peking University (北京大學) in the PRC in July 1988 and a Ph.D. in molecular cell biology from the University of California, Berkeley in the United States in May 1996.

Independent Non-executive Directors

Mr. Yanling Cao (曹彥凌) ("**Mr. Cao**"), aged 37, is an independent non-executive Director of our Group. He joined our Group on May 22, 2020 and was appointed as an independent non-executive Director on the same date. He is primarily responsible for providing independent view to the Board.

Mr. Cao has over ten years of experience in private equity investment and management. From December 2007 to January 2011, he served as a senior investment manager at General Atlantic LLC, a company primarily engaged in private equity and venture capital investment, and was responsible for development, execution and management of equity investment. Mr. Cao is one of the founding members of Boyu Capital Group Management Ltd. in March 2011 and currently serves as a partner, mainly responsible for investments in the healthcare industry. Mr. Cao has served as a director of Gan & Lee Pharmaceuticals Co. Ltd. (甘李藥業股份有限公司) (SSE: 603087) since September 2015. He also served as a non-executive director of CStone Pharmaceuticals (基石藥業) (HKSE: 2616) from April 2016 to March 2017 and has been a non-executive director since May 2019. He was appointed as a director of Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司) (HKSE: 6078) in June 2019 and also served as a non-executive director from September 2019 to March 2021. He has also been a non-executive director of Wuxi Biologics (Cayman) Inc. (藥明生物技術有限公司) (HKSE: 2269) since May 2016, Viela Bio, Inc. (NASDAQ: VIE) since February 2018 and Ocumension Therapeutics (歐康維視生物) (HKSE: 1477.HK) since June 2019.

Mr. Cao obtained a bachelor's degree in economics and mathematics from Middlebury College in the United States in May 2006.

The Directors and the Joint Sponsors have considered Mr. Cao's concurrent directorships and other positions in listed companies. The Directors are of the view that Mr. Cao would be able to commit sufficient time to the affairs of the Company, having regard to the following factors:

(i) while Mr. Cao is holding position in six listed companies currently, his role with the Company is an independent non-executive Director for providing independent advice to the Board. Mr. Cao has confirmed to the Company that he has the capacity and ability to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director, taking into account his experience and positions that he has previously held in different listed companies;

(ii) Mr. Cao has held different directorships in Hong Kong, Shanghai and Nasdaq listed companies since September 2015, and the Directors believe that he has demonstrated his ability to handle multiple demands with his time. He has confirmed that he has not encountered any difficulty in devoting and managing his time among different listed companies that he has been involved in, and none of the listed companies that he participated in had questioned or complained about his time devoted to any of them; and

(iii) in addition, pursuant to the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, the Board will regularly review whether each of the Directors is spending sufficient time in performing his or her responsibilities. The Board will, from time to time, review the Directors' attendance record of their meetings with the Board and its committees. The Board will be regularly appraised of any significant changes to the time commitments of the Directors, and in the event that any concerns arise, the Board will seek to resolve such concerns with the relevant Director. At the time when any Director is proposed to be re-elected, we will also set out in the circular to the Shareholders and/or explanatory statements accompanying the notice of the relevant general meeting as to the reasons why the Board believes such individual should be elected, and if appropriate or otherwise required, whether such individual would be able to devote sufficient time to the Board. On the basis of the factors as set out above, the Joint Sponsors concur with the Directors' view on Mr. Cao's ability to commit sufficient time to his duties as an independent non-executive Director.

Mr. Chi Shing Li (李志成) ("**Mr. Li**"), aged 63, is an independent non-executive Director of our Group. He joined our Group on October 22, 2020 and was appointed as an independent non-executive Director on the same date. He is primarily responsible for providing independent view to the Board.

Mr. Li is currently working as a vice president and general manager of CSL Behring Asia Pacific Limited since March 2015. He was the chief executive officer of Quality Healthcare Medical Services Limited from January 2012 to February 2015. Prior to that, he started as the vice president of the Asia Pacific region in April 2006 at Cephalon Inc. He spent eight years, between 1997 to August 2005, with Merck, where he held positions of as the regional director of Asia North, with responsibility for leading operations in China, Hong Kong, Korea and Taiwan, vice president for Asia as well as president for China and Hong Kong. He served as the commercial director of Abbott Laboratories Taiwan Limited in 1996. From June 1980 to December 1995, he held various positions at Eli Lilly and Company including sales and marketing training manager of the South East Asia region and director of pharmaceutical marketing in Taiwan and the PRC.

Mr. Li is currently the chairman of the board of CSL Asia Pacific Limited. He was a member of the Steering Committee on Electronic Health Record Sharing established by the Secretary for Food and Health of Hong Kong and facilitated the commencement of the operation of the record sharing system in March 2016. He was member of professional services advisory committee of Hong Kong Trade Development Council from 2012 to March 2015.

Mr. Li obtained his diploma in chemistry from Hong Kong Baptist University in November 1980 in Hong Kong. He achieved a master of business administration degree from the University of East Asia in Macau in September 1986. He achieved his post-graduate diploma in management consulting from the University of Hong Kong in October 2006 in Hong Kong.

Mr. Yiu Leung Andy Cheung (張耀樑) ("**Mr. Cheung**"), aged 61, is an independent non-executive Director of our Group. He joined our Group on October 22, 2020 and was appointed as an independent non-executive Director on the same date. He is primarily responsible for providing independent view to the Board.

Mr. Cheung has many years of auditing and accounting professional experience. From July 2018 to June 2020, he was deputy area managing partner of Ernst & Young ("**EY**") in Asia Pacific overseeing the business operations, finance, information technology and risk management functions. From July 2013 to June 2018, he was the assurance leader for EY in Greater China. From July 2009 to June 2010, he worked as the chief financial officer of EY Far East Area and led the effort to set up EY's China overseas investment network in 2007.

Mr. Cheung received his bachelor's degree in accounting and finance from the University of Lancaster in the United Kingdom in June 1982. He obtained a master's degree in accounting and finance from London School of Economics in the United Kingdom in August 1983. He is a member of Hong Kong Institute of Certified Public Accountants.

Mr. Kin Cheong Kelvin Ho (何建昌) ("**Mr. Ho**"), aged 53, is an independent non-executive Director of our Group. He joined our Group on October 22, 2020 and was appointed as an independent non-executive Director on the same date. He is primarily responsible for providing independent view to the Board.

Mr. Ho has over 20 years of experience in finance and accounting, company secretary, initial public offering and debt restructuring. He is currently the independent non-executive director of Green Leader Holdings Group Limited (HKSE: 0061) since August 5, 2020 and the independent non-executive director of Rosan Resources Holdings Limited (HKSE: 0578) since July 1, 2020.

Mr. Ho held multiple managerial roles, including as financial controller and company secretary, in Hong Kong listed companies from 1999 to 2020, namely Shenzhen High-Tech Holdings Limited (now known as Landsea Green Properties Co., Ltd) (HKSE: 0106), Hanny Holdings Limited (now known as Master Glory Group Limited) (HKSE: 0275), Garron International Limited (now known as China Investment and Finance Group Limited) (HKSE: 1226), Anhui Tianda Oil Pipe Company Limited (HKSE: 0839 before being privatized in 2016), FU JI Food and Catering Services Holdings Limited (now known as Fresh Express Delivery Holdings Group Co., Ltd) (HKSE: 1175), Greens Holdings Ltd (HKSE: 1318 before delisted in 2020) and Richly Field China Development Limited (HKSE: 0313). Since August 6, 2018, Mr. Ho has been an independent non-executive director of CECEP COSTIN New Materials Group Limited (In Provisional Liquidation) ("**CECEP COSTIN**") (HKSE: 2228). Based on published information, CECEP COSTIN received a winding up petition and a summons for the appointment of joint provisional liquidators dated October 30, 2017. Mr. Ho's appointment was subsequent to the winding up petition against CECEP COSTIN. He was also a non-executive director of E-rental Car Company Limited (now known as HongDa Financial Holding Limited) (HKSE: 1822) from April 11, 2016 for a one-year term and he was an independent non-executive director of Cheung Tai Hong Holdings Limited (now known as ITC Properties Group Limited) (HKSE: 0199) from October 29, 2001 to May 20, 2003.

Mr. Ho obtained his bachelor's degree in business administration from Hong Kong Baptist University (previously known as Hong Kong Baptist College) in Hong Kong in November 1990. He is an associate member of the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Association of Chartered Certified Accountants.

SENIOR MANAGEMENT

Dr. Yiping James Li, is chairman of the Board, an executive Director and chief executive officer of the Company. He joined the Company on February 15, 2016 and was appointed as an executive Director on November 14, 2017. For further details, please see "— Executive Director" for details of his biography.

Mr. Xin Fu (傅欣) ("**Mr. Fu**"), aged 42, is the senior vice president and chief financial officer of our Company. He joined our Group on July 10, 2020. He is primarily responsible for the financial management of our Group companies, financing activities and investor relations management.

Mr. Fu has approximately 20 years of financial management experience including 12 years of experience in healthcare industry. He served various leadership positions at Pfizer China and responsible for finance and compliance. From July 2018 to July 2020, he was the chief financial officer of Pfizer Investment Co., Ltd.* (輝瑞投資有限公司); from April 2017 to June 2018, he served as the chief compliance officer; from April 2016 to April 2017, he was the acting chief financial officer; from June 2011 to March 2016, he worked as head of business finance and tax; from September 2008 to May 2011, he served as the China tax leader.

Prior to joining Pfizer China, Mr. Fu was a tax manager at KPMG Huazhen LLP* (畢馬威華振會計師事務所) from July 2001 to November 2007.

Mr. Fu obtained a bachelor's degree in accounting from Fudan University (復旦大學) in July 2001 in the PRC. He has been a Certified Management Accountant since 2015.

Dr. Lapyuen Harry Lam, Ph.D. ("**Dr. Lam**"), aged 62, is the executive vice president and chief technology officer of our Company. Before he joined our Group, he started consulting and advisory work for our Group on cell therapy process development, CMC and manufacturing on March 27, 2017. He joined our Group on September 1, 2018, and is primarily responsible for technical operations. Prior to joining our Group in March 2017, he was our consultant primarily responsible for cell therapy process development, CMC and manufacturing.

Dr. Lam is an experienced management executive with over 30 years of experience in biopharmaceutical technical operations. Prior to joining our Company, he worked as the chief technology officer and vice president of CMC development at Affinita Biotech Inc. from May 2016 to March 2017. Prior to that, he was appointed as vice president of biologics manufacturing at Sanofi US Services Inc. in 2015, and this was preceded by his role as vice president of manufacturing operations at Progenitor Cell Therapy LLC, the global contract development and manufacturing services platform of the Hitachi Chemical Regenerative medicine business sector from September 2014. Before joining Progenitor Cell Therapy LLC, he worked as the head of manufacturing of Kalobios Pharmaceuticals Inc. from January 2014 and this was preceded by his role as vice president of manufacturing of Shire Regenerative Medicine Inc. in 2013.

Prior to Shire Regenerative Medicine Inc., Dr. Lam spent 17 years at Genentech, which became a member of the Roche Group in March 2009, in various departments including in Singapore, and where he was ultimately promoted to head of commercial drug substance, contract manufacturing operations of Genentech. Prior to Genentech, Dr. Lam worked from 1985 to March 1996 at Pfizer.

Dr. Lam received his bachelor's degree in chemical engineering from the University of Birmingham in the United Kingdom in July 1981 and his Ph.D. in chemical engineering from Rensselaer Polytechnic Institute in the United States in December 1985.

Dr. Hongxia Zheng, M.D., Ph.D. ("**Dr. Zheng**"), aged 51, is the senior vice president of our Company. She joined our Group on February 19, 2019. She is primarily responsible for clinical development.

From June 2015 to August 2018, she served as the global clinical leader of oncology clinical development at Bayer U.S. LLC.. Prior to that, in January 2013, she was appointed as the medical director of oncology at EMD Serono, Inc., a subsidiary of Merck KGaA. In 2013, she was the medical director at Amgen Inc.

Dr. Zheng obtained her medical degree in medicine from Capital Medical University* (首都醫科大學) in the PRC in July 1993. She obtained her Ph.D. in medicine from the University of Pittsburgh in the United States in December 2003.

Dr. Su Yang (楊蘇) ("**Dr. Yang**"), aged 42, is an executive director of our Group. She joined our Group on May 23, 2017 and was appointed as an executive director[3] of clinical research operations on the same date.

Before joining our Group, Dr. Yang worked as a therapeutical area leader at Roche (China) Holding., Ltd.* (羅氏(中國)投資有限公司) from February 2014 to May 2017.

Dr. Yang obtained her medical degree in clinical medicine from Nanjing Medical University* (南京醫科大學) in the PRC in June 2001.

Mr. Wenjun Sun ("**Mr. Sun**"), aged 54, is the vice president of our Company. He joined our Group on September 26, 2016 and was appointed as vice president on the same date. He is primarily responsible for business development and governmental affairs.

Prior to joining our Group, from May 2014 to September 2016, Mr. Sun worked as the China Senior Program Officer at the Bill & Melinda Gates Foundation, where he was responsible for leading healthcare related strategy, partnership, and execution in global healthcare innovation.

Mr. Sun obtained his bachelor degree in microbiology at University of Washington in the United States in June 1990 and obtained his master of business administration degree from Stern School of Business at New York University in the United States in May 1999, and his master of science degree in microbial engineering at University of Minnesota in the United States in July 1993.

Note:

3 For the avoidance of doubt, despite the title as director, Dr. Su Yang is a member of the Company's senior management and not a member of the Board.

Mr. Qiong Wu (吳瓊) ("**Mr. Wu**"), age 48, is the chief commercial officer of the Company. He joined our Group on September 8, 2020. He is primarily responsible for overall commercial functions, including sales, marketing, market access and channel management.

Prior to joining our Group, from February 2020 to September 2020, Mr. Wu was the Associate Vice President, Head of Hospital Specialty Care Business Unit of Merck Sharp & Dohme. Prior to that, from January 2015 to February 2020, Mr. Wu was the Business Unit Head of Baxter International Inc.

Mr. Wu obtained his bachelor degree in pharmaceutical analysis at China Pharmaceutical University (中國藥科大學) in July 1993 and his executive master of business administration degree at China Europe International Business School in September 2007.

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Reporting Period.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on September 6, 2017 as an exempted company with limited liability under the laws of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange on November 3, 2020.

PRINCIPAL ACTIVITIES

We are a leading clinical stage cell therapy company in China. Since our founding in 2016, we have built an integrated platform focused on developing, manufacturing and commercializing breakthrough cell-based immunotherapies for hematological cancers and solid tumors. Our vision is to develop innovative cell therapies for the China market to transform the treatment of cancer for Chinese patients. Analysis of the principal activities of the Group during the year ended December 31, 2020 is set out in the note 36 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended December 31, 2020 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive loss on pages 141 to 142 of this annual report.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended December 31, 2020.

No Shareholder has waived or agreed to waive any dividends.

BUSINESS REVIEW

Overview and Performance of the Year

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the Reporting Period are set out in the section headed "Events After the Reporting Period" in this report.

Principal Risks and Uncertainties

The following list is a summary of certain principal risks and uncertainties involved in our operations, some of which are beyond our control:

Risks Relating to Our Financial Position

- We have never generated any revenue from sales of cell-therapy products, and our ability to generate revenue from sales of cell-therapy products and become profitable depends significantly on our success in a number of factors;

- We have incurred significant losses since our inception, and we expect to continue to incur losses for the foreseeable future and may never achieve or maintain profitability;

- We had net operating cash outflow during the three financial years of the Company ended December 31, 2018, 2019 and 2020;

- An impairment in the carrying value of intangible assets could have a material adverse effect on our financial condition and results of operations.

Risks Relating to Our Business

- Changes in international trade or investment policies and barriers to trade or investment, the ongoing conflict and trade tension war between the U.S. and China may have an adverse effect on our business and expansion plans;

- We operate in a rapidly changing industry and we face substantial competition, which may result in others discovering, developing or commercializing competing products before or more successfully than we do, or developing product candidates or treatments that are safer, more effective, more effectively marketed or cost less than ours, or receive regulatory approval or reach the market earlier. As a result, our product candidates may not achieve the sales we anticipate and could be rendered non-competitive or obsolete;

- Our proprietary CAR-T preparation technologies and the manufacturing platform for our CAR-T product candidates represent emerging approaches to cancer treatment that face significant challenges and hurdles;

- Clinical development of biopharmaceutical products involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results;

- If clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates;

- We may not be successful in our efforts to build or in-license a pipeline of new product candidates. If we fail to do so, our commercial opportunity will be limited;

- We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or have a greater likelihood of success.

Risks Relating to Extensive Government Regulation

- All material aspects of the research, development, manufacturing and commercialization of biopharmaceutical products are heavily regulated. Any failure to comply with existing regulations and industry standards, or any adverse actions by the NMPA or other comparable regulatory authorities against us, could negatively impact our reputation and our business, financial condition, results of operations and prospects;

- The regulatory approval processes of the NMPA and other comparable regulatory authorities are lengthy, time-consuming and inherently unpredictable. If we are ultimately unable to obtain, or experience delays in obtaining, regulatory approval for our product candidates, our business will be substantially harmed;

- Changes in government regulations or in practices relating to the pharmaceutical and biopharmaceutical industries, including healthcare reform in China, and compliance with new regulations may result in additional costs;

- Even if we are able to commercialize any approved product candidates, the products may become subject to unfavorable pricing regulations, or to unfavorable changes in national or third-party reimbursement practices, which could harm our business.

Risks Relating to Manufacturing of Our Product Candidates

- Our product candidates are cell therapies. The manufacture of our product candidates is complex, and we may encounter difficulties in production, particularly with respect to development or scaling-out of our manufacturing capabilities. If we encounter such difficulties, our ability to provide supply of our product candidates for clinical trials or our products for patients, if approved, could be delayed or stopped, or we may be unable to maintain a commercially viable cost structure;

- Cell-based therapies rely on the availability of reagents, specialized equipment, and other specialty materials, which may not be available to us on acceptable terms or at all. For some of these reagents, equipment, and materials, we rely or may rely on sole source vendors or a limited number of vendors, which could impair our ability to manufacture and supply our products.

Risks Relating to Commercialization of Our Product Candidates

- The market opportunities for our product candidates may be limited to those patients who are ineligible for or have failed prior treatments and may be small, and our projections regarding the size of the addressable market may be incorrect;

- We currently have a limited marketing and sales organization and have no experience as a company in launching and marketing products. If we are unable to establish marketing and sales capabilities to market and sell our product candidates, we may not be able to generate product revenue or commercialize future product candidates. We may not be able to effectively build and manage our sales network;

- We may not be successful in achieving cost of goods at commercial scale that provide for an attractive margin. We believe that our current, robust manufacturing processes are fit for commercial scale and we anticipate they will enable commercial supply at an economical cost. However, we have not yet established manufacturing capacity at sufficient commercial scale and may underestimate the cost and time required to do so, or overestimate cost reductions from economies of scale that can be realized with our manufacturing processes. We may ultimately be unable to manage the cost of goods for our product candidates to levels that will allow for a margin in line with our expectations and return on investment if and when those product candidates are commercialized;

- Product liability claims or lawsuits could cause us to incur substantial liabilities, and our insurance coverage may be inadequate to protect us from all the liabilities we may incur;

- The increasing use of social media platforms presents new risks and challenges.

Risks Relating to Our Intellectual Property Rights

- We depend on intellectual property licensed from third parties, and termination of any of these licenses or disruption to our business relationship with our licensors could result in monetary damages or the loss of significant rights, which would harm our business;

- If we or our licensors are unable to obtain and maintain adequate patent and other intellectual property protection for our product candidates and other intellectual property, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and our ability to successfully develop and commercialize any of our product candidates or technologies may be adversely affected;

- If we determine that our intellectual property rights (including rights in-licensed from third parties) or other intangible assets are impaired, our results of operations and financial condition may be adversely affected;

- Even if we are able to obtain patent protection for our product candidates, the life of such protection, if any, is limited, and third parties could be able to circumvent our patents by developing similar or alternative products and technologies in a non-infringing manner, or develop and commercialize products and technologies similar or identical to ours and compete directly against us after the expiration of our patent rights, if any, and our ability to successfully commercialize any product or technology would be materially adversely affected.

Risks Relating to Our Doing Business in China

- The biopharmaceutical industry in China is highly regulated and such regulations are subject to change, which may affect approval and commercialization of our product candidates;

- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies;

- Our business benefits from certain financial incentives and preferential policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

For further details, please refer to the section headed "Risk Factors" in the Prospectus.

Environmental Policies and Performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth.

Compliance with Relevant Laws and Regulations

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2020, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

Key Relationship with Stakeholders

The Group recognizes that various stakeholders including employees, medical experts, patients, suppliers and other business associates are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, educating, collaborating, and cultivating strong relationships with them. The Group believes that it is vital to attract, recruit and retain quality employees. To maintain the quality, knowledge and skill levels of the Group's workforce, the Group provides the employees with periodic training, including introductory training for new employees, technical training, professional and management training and health and safety training. The Group believes that it maintains a good relationship with its employees and the Group did not experience any significant labor disputes or any difficulty in recruiting staff for its operations. The Group conducts academic marketing activities to establish and maintain relationships with key opinion leaders in the national medical system. The Group provides these experts with detailed information on its products and helps them make independent comparison among competing products in the market. The Group also maintains long-term cooperative relationships with medical experts to help raise the Group's profile, enhance awareness of Group's products in the medical community and among patients, provide it with valuable clinical data to improve the Group's products, and collect feedback from the real world clinical practices and support on the patients group and comply with physicians to manage the side effects. For details of an account of the Company's key relationships with its main stakeholders, please see the section headed "Environmental, Social and Governance Report" in this annual report.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last three financial years are set out on page 7 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

The total proceeds from the issue of new Shares by the Company in its Listing and the subsequent over-allotment option partially exercised by the Joint Global Coordinators (after deducting the underwriting fees and related costs and expenses) amounted to approximately HK$2,495.8 million and the unutilized net proceeds was kept at the bank accounts of the Group as at December 31, 2020.

The net proceeds (adjusted on a pro-rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2020:

Intended Applications	Amount of net proceeds *(HK$ million)*	Percentage of total net proceeds	Actual usage up to December 31, 2020 *(HK$ million)*	Unutilized net proceeds as at December 31, 2020 *(HK$ million)*
Research and development activities relating to relma-cel	748.74	30%	9.30	739.44
Building a focused in-house sales and marketing team to market relma-cel across Mainland China	249.58	10%	6.70	242.88
Research and development activities relating to JWCAR129	149.75	6%	5.90	143.85
Research and development activities relating to our other pre-clinical product candidates including our JWATM203 Program, our JWATM204 Program and Nex-G	698.82	28%	2.59	696.23
Acquisition of the Acepodia license through exercising the Acepodia Option	99.83	4%	—	99.83
New potential acquisitions and in-licensing opportunities	299.50	12%	—	299.50
Working capital and general corporate purposes	249.58	10%	15.05	234.53
Total	**2,495.8**	**100.0%**	**39.54**	**2,456.26**

The net proceeds is expected to be fully utilized by December 31, 2023. The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

The Group did not generate any revenue for the year ended December 31, 2020.

Major Suppliers

For the year ended December 31, 2020, the Group's five largest suppliers accounted for 20% (2019: 33%) of the Group's total purchases and our single largest supplier accounted for 7% (2019: 8%) of the Group's total purchases.

During the Reporting Period, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2020 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year December 31, 2020 are set out in note 23 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended December 31, 2020 are set out in the consolidated statement of changes in equity on page 145 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2020, the Company's reserves available for distribution, amounted to approximately RMB3.4 billion (as at December 31, 2019: nil).

TAXATION

Tax position of the Company from the Listing Date to December 31, 2020 is set out in note 11 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at December 31, 2020 are set out in note 28 to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as otherwise disclosed in this annual report, the Company has no other future plans for material investments or capital assets.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report are:

Executive Director

Dr. Yiping James Li *(Chairman)*

Non-executive Directors

Mr. Hans Edgar Bishop
Dr. Krishnan Viswanadhan
Ms. Xing Gao (高星)
Dr. Ann Li Lee
Mr. Jinyin Wang (王金印)
Dr. Cheng Liu

Independent Non-executive Directors

Mr. Yanling Cao (曹彥凌)
Mr. Chi Shing Li (李志成)
Mr. Yiu Leung Andy Cheung (張耀樑)
Mr. Kin Cheong Kelvin Ho (何建昌)

In accordance with article 16.2 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with article 16.19 of the Articles of Association, Dr. Yiping James Li, Mr. Hans Edgar Bishop, Dr. Krishnan Viswanadhan and Dr. Ann Li Lee shall retire by rotation, and being eligible, have offered themselves for re-election at the forthcoming AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders dated April 26, 2021.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 34 to 42 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent from the Listing Date to December 31, 2020.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

(a) Executive Director

The executive Director has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date.

(b) Non-executive Director and Independent Non-executive Director

Each of the non-executive Directors and the independent non-executive Directors has entered into an appointment letter with our Company for a period of three years with effect from the date of the Prospectus (i.e. October 22, 2020) or until the third annual general meeting of the Company after the Listing Date, whichever is earlier.

The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association and the applicable Listing Rules.

None of the Directors has entered into a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party from the Listing Date to December 31, 2020.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

The Company has no controlling shareholder.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed from the Listing Date to December 31, 2020.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2020, we had 364 employees. The following table sets forth the total number of employees by function as of December 31, 2020:

	Number of Employees	% of total
Technical operations	133	36.5
Quality	73	20.1
Medical	59	16.2
Business development and general administrative	12	3.3
Commercial	49	13.5
Support	38	10.4
Total	**364**	**100.0**

The total remuneration cost (including directors' emoluments) incurred by the Group for the year ended December 31, 2020 was RMB259.1 million, as compared to RMB96.8 million for the year ended December 31, 2019.

The Company also has adopted the Pre-IPO Incentivization Scheme, the Restricted Share Unit Schemes and the Post-IPO Incentivization Scheme. Please refer to the sections headed "Pre-IPO Incentivization Scheme", "Restricted Share Unit Schemes" and "Post-IPO Incentivization Scheme" in this report for further details.

PENSION AND EMPLOYEE BENEFITS SCHEME

Our employees' remuneration consists of salaries, bonuses, employees' provident fund, and social security contributions, other welfare payments and share-based compensation expenses. In accordance with applicable PRC laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. Details of the retirement and employee benefits scheme of the Company are set out in note 9 to the consolidated financial statements.

CHANGES IN DIRECTOR'S INFORMATION

Name of Director	Change
Dr. Yiping James Li	Dr. Li is entitled to share options and/or RSUs pursuant to the terms and conditions of any share option scheme and/or restricted share unit scheme adopted by the Company from time to time as part of his remuneration package under his service contract as an executive Director.
Mr. Yanling Cao (曹彥凌)	Mr. Cao's annual director's fee has been revised from HK$300,000 to nil with effect from the date of appointment.

Save as disclosed above and in the section headed "Directors and Senior Management" in this annual report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at December 31, 2020, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were 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 as set out in Appendix 10 to the Listing Rules were as follows:

(i) Interest in Shares and underlying Shares

Name of Director	Capacity/ nature of interest	Number of shares/ underlying shares	Approximate percentage of shareholding in the Company	Long position/ Short position/ Lending pool
Dr. Li[(1)]	Beneficial interest	12,588,620	3.25%	Long position
	Interest in controlled corporation	3,206,460	0.83%	Long position
	Founder and trustee of discretionary trust	6,000,000	1.55%	Long position
Mr. Hans Edgar Bishop[(2)]	Beneficial interest	757,650	0.20%	Long position

Notes:

(1) Dr. Li held (i) 1,500,000 Shares through his direct interest in JDI Capital Management Limited, (ii) 1,706,460 Shares through his indirect interests in Park Place Capital Management & Consulting Limited and (iii) 6,000,000 Shares held by The Yiping James Li 2020 Grantor Retained Annuity Trust for Dr. Li, with annuity payments to Dr. Li and with remainder interests, if any, to his family members, with Dr. Li as founder and trustee. Park Place Capital Management & Consulting Limited is wholly-owned by JDI Capital Management Limited which in turn is wholly-owned by Dr. Li. Dr. Li is also interested in 12,588,620 underlying Shares relating to the Restricted Share Units granted to him pursuant to the Restricted Share Unit Scheme. Accordingly, Dr. Li is interested in aggregate 21,795,080 Shares.

(2) Mr. Bishop is interested in 757,650 underlying Shares relating to the Restricted Share Units granted to him pursuant to the Restricted Share Unit Scheme.

(3) The calculation is based on the total number of 387,905,729 Shares in issue as at December 31, 2020.

Save as disclosed above, as at December 31, 2020, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

As at December 31, 2020, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/ nature of interest	Number of Shares/ underlying Shares	Approximate percentage of shareholding in the Company	Long position/ Short position/ Lending pool
Juno[1]	Beneficial interest	74,896,670	19.31%	Long position
Celgene Corporation ("**Celgene**")[1]	Interest in controlled corporation	74,896,670	19.31%	Long position
BMS[1]	Interest in controlled corporation	74,896,670	19.31%	Long position
Syracuse Cayman[2]	Beneficial interest/Other	48,513,377	12.51%	Long position
WuXi AppTec (Hong Kong) Holding Limited ("**WXAT HK**")[3]	Beneficial interest	38,232,570	9.86%	Long position
WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司) ("**WXAT Shanghai**")[3]	Interest in controlled corporation	38,232,570	9.86%	Long position

Name of Shareholder	Capacity/ nature of interest	Number of Shares/ underlying Shares	Approximate percentage of shareholding in the Company	Long position/ Short position/ Lending pool
WuXi AppTec Co., Ltd. ("**WuXi AppTec**")[3]	Interest in controlled corporation	38,232,570	9.86%	Long position
TLS Beta Pte. Ltd.[4]	Beneficial interest	22,668,740	5.84%	Long position
Temasek Life Sciences Private Limited[4]	Interest in controlled corporation	22,668,740	5.84%	Long position
Fullerton Management Pte Ltd[4]	Interest in controlled corporation	22,668,740	5.84%	Long position
Temasek Holdings (Private) Limited[4]	Interest in controlled corporation	24,296,740	6.26%	Long position
Dr. Li[5]	Beneficial interest, interest in controlled corporation, founder and trustee of discretionary trust	21,795,080	5.62%	Long position
Li Dan[6]	Interest of spouse	21,795,080	5.62%	Long position
CJW Therapeutics Investment Limited[7]	Beneficial interest	19,552,250	5.04%	Long position
CPEChina Fund III, L.P.[7]	Interest in controlled corporation	19,552,250	5.04%	Long position
CPE Funds III Limited[7]	Interest in controlled corporation	19,552,250	5.04%	Long position
CPE Holdings Limited[7]	Interest in controlled corporation	19,552,250	5.04%	Long position
CPE Holdings International Limited[7]	Interest in controlled corporation	19,552,250	5.04%	Long position

Notes:

(1) As at December 31, 2020, Juno directly held 70,231,140 Shares. Pursuant to the BCMA License Agreement, the 4,665,530 Juno Settlement Shares may be issued to Juno upon exercise of the second warrant as part of the second upfront payment. Juno is wholly-owned by Celgene which is in turn wholly-owned by BMS. As such, under the SFO, BMS (through its interest in a controlled corporation) is deemed to be interested in 70,231,140 Shares held by Juno.

(2) As at December 31, 2020, Syracuse Cayman directly held 43,380,910 Shares. Pursuant to the Asset Purchase Agreement, a maximum of 5,132,467 Shares may be issued to Syracuse Cayman to settle US$10.5 million for any future adjustments, without deductions including net working capital adjustment and taxes to be paid under the Asset Purchase Agreement (as disclosed in the Prospectus). Syracuse Cayman is owned by approximately 150 individual and corporate entities and none of them is entitled to directly or indirectly control Syracuse Cayman in accordance with the SFO. As such, under the SFO, Syracuse Cayman is deemed to be interested in 48,513,377 Shares.

(3) As at December 31, 2020, WXAT HK directly held 38,232,570 Shares. WXAT HK is directly owned by WXAT Shanghai as to 80% and WuXi AppTec (Tianjin) Co., Ltd. as to 20%. WXAT Shanghai and WuXi AppTec (Tianjin) Co., Ltd. are directly wholly-owned by WuXi AppTec. As such, under the SFO, WXAT Shanghai and WuXi AppTec (through its interest in controlled corporations) are each deemed to be interested in the 38,232,570 Shares held by WXAT HK.

(4) As at December 31, 2020, TLS Beta Pte. Ltd. directly held 22,668,740 Shares. TLS Beta Pte. Ltd. is a wholly-owned subsidiary of Temasek Life Sciences Private Limited, which is in turn a wholly-owned subsidiary of Fullerton Management Pte Ltd, which is in turn a wholly-owned subsidiary of Temasek Holdings (Private) Limited. As such, under the SFO, Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited are each deemed to be interested in the 22,668,740 Shares held by TLS Beta Pte. Ltd. In addition, Temasek Holdings (Private) Limited (through its interest in a controlled corporation) is deemed to be interested in 1,628,000 Shares held by Aranda Investments Pte. Ltd.

(5) As at December 31, 2020, Dr. Li held (i) 1,500,000 Shares through his direct interests in JDI Capital Management Limited, (ii) 1,706,460 Shares through his indirect interests in Park Place Capital Management & Consulting Limited and (iii) 6,000,000 Shares held by The Yiping James Li 2020 Grantor Retained Annuity Trust for Dr. Li, with annuity payments to Dr. Li and with remainder interests, if any, to his family members, with Dr. Li as founder and trustee. Park Place Capital Management & Consulting Limited is wholly-owned by JDI Capital Management Limited which in turn is wholly-owned by Dr. Li. Dr. Li is also interested in 12,588,620 underlying Shares relating to the Restricted Share Units granted to him pursuant to the Restricted Share Unit Scheme. Accordingly, Dr. Li is interested in aggregate 21,795,080 Shares.

(6) Li Dan's spouse, Dr. Li, was interested in 21,795,080 Shares and therefore Li Dan is deemed to be interested in the same number of Shares.

(7) As at December 31, 2020, CJW Therapeutics Investment Limited directly held 19,552,250 Shares. CJW Therapeutics Investment Limited is directly owned by CPEChina Fund III, L.P. ("**CPE Fund III**") as to 85% and CPE GLOBAL OPPORTUNITIES FUND, L.P. as to 15%. The general partner of CPE Fund III is CPE Funds III Limited which is wholly-owned by CPE Holdings Limited. CPE Holdings Limited is wholly-owned by CPE Holdings International Limited. CPE Holdings International Limited is owned by a number of shareholders that are natural persons, each holding less than 10% in CPE Holdings International Limited. As such, under the SFO, CPE Fund III, CPE Funds III Limited, CPE Holdings Limited and CPE Holdings International Limited are each deemed to be interested in the 19,552,250 Shares held by CJW Therapeutics Investment Limited.

(8) The calculation is based on the total number of 387,905,729 Shares in issue as at December 31, 2020.

Save as disclosed above, as at December 31, 2020, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE INCENTIVIZATION SCHEMES

Pre-IPO Incentivization Scheme

In order to attract, retain and motivate employees, Directors and such other eligible persons and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees, directors and other persons to participate in the growth and profitability of the Group, our Company adopted the Pre-IPO Incentivization Scheme on September 4, 2019. The terms of the Pre-IPO Incentivization Scheme are not subject to the provisions of Chapter 17 of the Listing Rules. For more details of the Pre-IPO Incentivization Scheme, please refer to "Statutory and General Information — D. Share Incentivization Schemes — 1. Pre-IPO Incentivization Scheme" of Appendix V to the Prospectus.

The maximum number of Shares in respect of which awards may be granted under the Pre-IPO Incentivization Scheme and the Restricted Share Unit Scheme shall not, in aggregate exceed 36,031,500 Shares (subject to possible adjustments) which is a shared common pool, which represents approximately 9.29% of the total issued share capital of the Company as at December 31, 2020. The Pre-IPO Incentivization Scheme will remain in force for a period of ten years unless terminated sooner, and has a remaining term of approximately nine years as at the date of this annual report.

As at December 31, 2020, pursuant to the Pre-IPO Incentivization Scheme, the Company had granted to employees of the Group outstanding options to subscribe for 9,023,920 Shares, representing approximately 2.33% of the total issued share capital of the Company as at December 31, 2020.

Movement of the options, which were granted under the Pre-IPO Incentivization Scheme during the Reporting Period is as follows:

Category	Grant date	Vesting commencement date (1) and (2)	Outstanding as at January 1, 2020	Granted	Exercised	Cancelled	Lapsed	Outstanding as at December 31, 2020	Exercise price (US$/share)
1. Continuous Contract Employees	September 4, 2019, June 30, 2020 and September 10, 2020	Between April 1, 2016 and July 1, 2020	3,866,300	6,014,250	0	0	856,630	9,023,920	0.00001–0.655

Notes:

(1) Options granted generally vest over a four-year period. There are two types of vesting schedules: (i) with 30% of total options vesting on the second anniversary of the vesting commencement date and the remaining 30% and 40% shall vest on the third anniversary and fourth anniversary of the vesting commencement date, respectively; and (ii) with 25% of total options vesting on the first anniversary of the vesting commencement date and the remaining 25%, 25% and 25% shall vest on the second anniversary, third anniversary and fourth anniversary of the vesting commencement date, respectively.

(2) The respective offer letter sets out the option period of 10 years for each corresponding grantee.

(3) The closing price of the Shares immediately before the dates on which the options were granted was not applicable as the Company was not yet listed on the dates of grant during the Reporting Period.

(4) There are no grants to directors, chief executive or substantial shareholders of the Company, or their respective associates. There are no participants with options granted in excess of the individual limit. There are no grants to suppliers of goods and services.

Restricted Share Unit Schemes

In order to attract, retain and motivate employees, Directors and such other eligible persons and to provide a means of compensating them through the grant of RSUs for their contribution to the growth and profits of the Group, and to allow such employees, directors and other persons to participate in the growth and profitability of the Group, our Company adopted the Restricted Share Unit Schemes on September 4, 2019 and October 14, 2020, respectively. The terms of the Restricted Share Unit Schemes are not subject to the provisions of Chapter 17 of the Listing Rules. For more details of the Restricted Share Unit Schemes, please refer to "Statutory and General Information — D. Share Incentivization Schemes — 2. Restricted Share Unit Schemes" of Appendix V to the Prospectus.

The maximum number of Shares in respect of which awards may be granted under the Pre-IPO Incentivization Scheme and the Restricted Share Unit Scheme shall not, in aggregate exceed 36,031,500 Shares (subject to possible adjustments) which is a shared common pool, which represents approximately 9.29% of the the total issued share capital of the Company as at December 31, 2020. The Restricted Share Unit Schemes will remain in force for a period of ten years unless terminated sooner, and has a remaining term of approximately nine years as at the date of this annual report.

As at December 31, 2020, pursuant to the Restricted Share Unit Schemes, the Company had granted to directors, executives and employees of the Group outstanding RSUs representing 15,718,590 Shares, accounting for approximately 4.05% of the total issued share capital of the Company as at December 31, 2020.

Details of RSUs granted under the Pre-IPO Restricted Share Unit Scheme during the Reporting Period are as follows:

Category	Grant date	Outstanding as at January 1, 2020	Number of Shares underlying RSUs during the Reporting Period			Outstanding as at December 31, 2020
			Granted	Vested	Forfeited	
1. Directors						
Dr. Yiping James Li	June 30, 2020	0	12,588,620	3,779,540	0	8,809,080
Mr. Hans Edgar Bishop	September 10, 2020	0	757,650	0	0	757,650
2. Continuous Contract Employees	September 4, 2019, June 30, 2020 and September 10, 2020	6,852,420	3,226,250	2,470,290	1,456,520	6,151,860
Total		6,852,420	16,572,520	6,249,830[3]	1,456,520	15,718,590

Notes:

(1) RSUs granted generally vest over a four-year period. There are two types of vesting schedules: (i) with 30% of total options vesting on the second anniversary of the vesting commencement date and the remaining 30% and 40% shall vest on the third anniversary and fourth anniversary of the vesting commencement date, respectively; and (ii) with 25% of total options vesting on the first anniversary of the vesting commencement date and the remaining 25%, 25% and 25% shall vest on the second anniversary, third anniversary and fourth anniversary of the vesting commencement date, respectively.

(2) There are no participants with options granted in excess of the individual limit. There are no grants to suppliers of goods and services.

(3) Shares were issued to settle the vested RSUs in February 2021.

Post-IPO Incentivization Scheme

The Company has adopted the Post-IPO Incentivization Scheme by resolutions passed by the Company on October 14, 2020, with effect upon completion of the Listing. For more details of the Post-IPO Incentivization Scheme, please refer to "Statutory and General Information — D. Share Incentivization Schemes — 3. Post-IPO Incentivization Scheme" of Appendix V to the Prospectus.

The purpose of the Post-IPO Incentivization Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Post-IPO Incentivization Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

Under the Post-IPO Incentivization Scheme, the Company is authorized to issue up to 37,617,622 Shares (subject to possible adjustments), which represents approximately 9.52% of the total issued share capital of the Company as at the date of this annual report. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Incentivization Scheme and any other share option scheme of our Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the "**Individual Limit**"). Any further grant of options in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules. The Post-IPO Incentivization Scheme will remain in force for a period of ten years unless terminated sooner, and has a remaining term of approximately nine years as at the date of this annual report.

The subscription price per Share under the Post-IPO Incentivization Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five Business Days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any Business Day falling within the period before Listing); and (iii) the nominal value of a Share on the date of grant. A nominal consideration of HK$1.00 is payable upon acceptance of the grant of an option.

From the Listing Date to December 31, 2020, no options under the Post-IPO Incentivization Scheme has been granted, exercised, cancelled and lapsed.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no other equity-linked agreement entered into by the Company or any of its subsidiaries during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at December 31, 2020, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

TAX RELIEF

The Directors are not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities.

CONTINUING CONNECTED TRANSACTIONS

For the year ended December 31, 2020, the Group had entered into certain partially-exempt continuing connected transactions and non-exempt continuing connected transactions as set out below. For detailed terms of such partially-exempt continuing connected transactions and non-exempt continuing connected transactions, please refer to the section headed "Connected Transactions" in the Prospectus.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Equipment Lease Framework Agreement with WXAT Shanghai

Upon exercise of the underwriters' over-allotment option in November 2020, WXAT HK ceased to be the Substantial Shareholder. WXAT Shanghai is the holding company of WXAT HK and therefore ceased to be a connected person of our Company.

Prior to the exercise of the underwriters' over-allotment option, the Company was directly owned as to 10.16% by WXAT HK, WXAT was therefore one of the Substantial Shareholders and WXAT Shanghai was therefore an associate of WXAT HK. Pursuant to Rule 14A.07(4) of the Listing Rules, WXAT Shanghai is a connected person of our Company.

Principal terms

JW Therapeutics (Shanghai) Co., Ltd. (上海藥明巨諾生物科技有限公司) ("**JW Shanghai**") entered into an equipment lease framework agreement with WXAT Shanghai on August 1, 2020, pursuant to which WXAT Shanghai leased to JW Shanghai certain specialized clinical equipment for the operation of our clinical laboratories (the "**Equipment Lease Framework Agreement**"). The Equipment Lease Framework Agreement commenced from February 1, 2019 to December 31, 2021.

Reasons for and benefits of the transactions

The Company requires certain specialized clinical equipment for the purpose of research and development from time to time and it would be better and more cost-effective to obtain these equipment through leasing from WXAT Shanghai as compared to purchasing these clinical equipment.

Annual cap

For the two years ended/ending December 31, 2020 and 2021, the total amount payable by our Group to WXAT Shanghai under the Equipment Lease Framework Agreement is not expected to exceed RMB3.5 million and RMB4 million, respectively.

During the year ended December 31, 2020, the total amount payable by our Group to WXAT Shanghai under the Equipment Lease Framework Agreement amounted to RMB2.2 million, which falls within the proposed annual cap as set out above.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors and the auditor of the Company have reviewed the transactions in relation to the Equipment Lease Framework Agreement on an annual basis and confirmed the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively.

Vector Supply Agreements

Principal terms

Our Company entered into vector supply agreements with Juno on June 29, 2020 and June 19, 2020, pursuant to which we agree to procure viral vectors from Juno in connection with the clinical development of relma-cel and JWCAR129, as well as the commercialization of relma-cel, subject to the terms and conditions therein (the "**Vector Supply Agreements**"). The Vector Supply Agreements are effective from the date of the agreement and will expire on the later of (i) three years from the date of agreement or (ii) the completion of services provided under the relevant Vector Supply Agreement prior to the third anniversary of the date of agreement. The terms of the Vector Supply Agreements may be extended only upon mutual agreement.

Reasons for and benefits of the transactions

Juno is a global leading company in the development of cell therapies. Juno procures viral vectors from independent contractors globally for both clinical stage developments as well as anticipated commercialization of its own pipeline products. Our pipeline products, relma-cel and JWCAR129, are developed based on the CAR construct we in-licensed from Juno and share similar characteristics and requirements for viral vector supplies. Accordingly, Juno has been providing the Group with high quality and cost effective supply of viral vectors for our research and development of relma-cel and JWCAR129 during the Track Record Period, as well as the anticipated commercialization of relma-cel.

Annual cap

For the three years ended/ending December 31, 2020, 2021 and 2022, the total amount payable by our Group to Juno under the Vector Supply Agreements is not expected to exceed US$0.6 million (equivalent to RMB4,027,560), US$3.2 million (equivalent to RMB21,480,320) and US$12.8 million (equivalent to RMB85,921,280), respectively.

During the year ended December 31, 2020, the total amount payable by our Group to WXAT Shanghai under the Vector Supply Agreements amounted to US$0.46 million (equivalent to RMB3,104,000), which falls within the proposed annual cap as set out above.

Listing Rules Implications

As at December 31, 2020, the Company was directly owned as to 19.31% by Juno, Juno is therefore one of the Substantial Shareholders. Pursuant to Rule 14A.07(1) of the Listing Rules, Juno is a connected person of our Company. Therefore, the transactions contemplated under the Vector Supply Agreements constitute continuing connected transactions of the Company under the Listing Rules.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors and the auditor of the Company have reviewed the transactions in relation to the Vector Supply Agreements on an annual basis and confirmed the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively.

Framework Agreement for Clinical Service with WXAT HK and WXAT Shanghai

Upon exercise of the underwriters' over-allotment option in November 2020, WXAT HK ceased to be the Substantial Shareholder. WXAT Shanghai is the holding company of WXAT HK. Therefore, both WXAT HK and WXAT Shanghai ceased to be the connected persons of our Company.

Prior to the exercise of the underwriters' over-allotment option, the Company was directly owned as to 10.16% by WXAT HK, WXAT was therefore one of the Substantial Shareholders and WXAT Shanghai was therefore an associate of WXAT HK. Pursuant to Rules 14A.07(1) and 14A.07(4) of the Listing Rules, WXAT HK and WXAT Shanghai are connected persons of our Company, respectively.

Principal terms

The Company, its subsidiaries and Consolidated Affiliated Entities entered into a framework agreement for clinical service on August 1, 2020 with WXAT HK and WXAT Shanghai, pursuant to which WXAT Shanghai will provide us various clinical services including but not limited to plasmid construction, bacteria banking and clinical research services (the "**Framework Agreement for Clinical Service**"). The Framework Agreement for Clinical Service will be effective from August 1, 2020 until December 31, 2022 and upon mutual agreement, may be renewed subject to compliance with all applicable laws and regulations and the Listing Rules.

Reasons for and benefits of the transactions

It is complementary and beneficial to our Group to enter into the Framework Agreement for Clinical Service to receive quality and specialized clinical services which could be better provided by WXAT Shanghai, which is a leading global pharmaceutical research and development services platform with capabilities in providing clinical services. By entering into the Framework Agreement for Clinical Service, our Directors are of the view that WXAT Shanghai could provide us with comprehensive and cost-effective clinical services.

Annual cap

For the three years ended/ending December 31, 2020, 2021 and 2022, the total amount payable by our Group to WXAT HK under the Framework Agreement for Clinical Service is not expected to exceed US$2.0 million (equivalent to RMB13,425,200), US$4.8 million (equivalent to RMB32,220,480) and US$5.4 million (equivalent to RMB36,248,040), respectively.

During the year ended December 31, 2020, the total amount payable by our Group to WXAT Shanghai under the Framework Agreement for Clinical Service amounted to US$0.41 million (equivalent to RMB2,964,000), which falls within the proposed annual cap as set out above.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors and the auditor of the Company have reviewed the transactions in relation to the Framework Agreement for Clinical Service on an annual basis and confirmed the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

License and Strategic Alliance Agreement with Juno

Principal terms

The Company entered into the License and Strategic Alliance Agreement with Juno on December 13, 2017, pursuant to which the Company has the right of first negotiation to license or obtain the rights to Juno's engineered T-cell pipeline product candidates in the field of treatment or amelioration of cancer or auto-immune disorders for further development and commercialization in Mainland China, Hong Kong and Macau (the "**Territory**"). Juno also granted us an exclusive, sublicensable, transferable and fee-bearing license under Juno's interest in or Juno's license rights to certain patent rights and know-how, and a non-exclusive, sublicensable, transferable and fee-bearing license under certain patent rights and know-how covering Juno's platform technology, solely to research, develop, commercialize, and manufacture or have manufactured relma-cel in Mainland China, Hong Kong and Macau. For further details, please refer to the section headed "Business — Collaboration and License Agreements — License Agreements with Juno" in the Prospectus. In consideration of the rights granted to us, we are required to make various upfront, milestone, royalty payments and reimbursement to Juno and the Company has set caps for milestone payment, royalty payment and reimbursement under the License and Strategic Alliance Agreement (which does not affect the Company's payment obligations under the License and Strategic Alliance Agreement but merely set for the purpose of complying with the Listing Rules) as follows:

Upfront payment : The Company shall provide Juno upfront share-based payment by (i) issuing Series A1 Preferred Shares to Juno in Series A1 financing with an aggregate value of approximately US$8.9 million and (ii) issuing such number of Series A2 Preferred Shares to Juno in Series A2 financing such that immediately following closing of the Series A2 financing, Juno will be the holder of such number of Shares, Series A1 Preferred Shares and Series A2 Preferred Shares that together represent an indirect ownership interest of 35% of all of the equity interests in JW Shanghai on a fully-diluted basis.

The Company made the above upfront payment by issuing 641,975 Series A1 Preferred Shares on February 23, 2018 and 3,316,825 Series A2 Preferred Shares to Juno on May 9, 2019. All such Series A1 Preferred Shares and Series A2 Preferred Shares will be converted into ordinary shares upon Listing.

Milestone payment	:	The Company to provide Juno milestone payment in cash in an amount of US$5 million based on earlier occurrence of (i) milestone events relating to certain regulatory approvals and (ii) treatment of 100 patients with relma-cel in clinical trials. For the year ended December 31, 2020, no milestone payment was made by the Company to Juno.
Royalty payment	:	We are required to pay Juno royalty payments in cash for relma-cel and any related diagnostic products based on annual net sales in the Territory, subject to certain adjustments in specified circumstances under the License and Strategic Alliance Agreement. For the year ended December 31, 2020, no royalty payment was made by the Company to Juno.
Reimbursement	:	We are required to pay to Juno in cash the sum of, among others, all milestone payments and royalties owed by Juno to third parties with respect to relma-cel and related diagnostic products in the Territory pursuant to in-license agreements existing at the time of such development or commercialization. For the year ended December 31, 2020, no reimbursement was made by the Company to Juno.
Caps for milestone payment, royalty payment and reimbursement *(Note 1)*	:	The annual cap for the milestone payment to be paid to Juno pursuant to the License and Strategic Alliance Agreement will be US$5 million, US$5 million and nil for 2020, 2021 and 2022 respectively taking into account the uncertainties on the precise timing of the one milestone event triggering the milestone payment (i.e. earlier of treating 100 patients with relma-cel in clinical trials or certain regulatory approvals) which is likely to occur in either 2020 or 2021 but in any event, such milestone payment will not be more than US$5 million in aggregate. The annual cap for royalty payment and reimbursement to be paid to Juno pursuant to the License and Strategic Alliance Agreement for 2020, 2021 and 2022 will be determined in accordance with the following formula: Annual cap for royalty payment and reimbursement = 16% × annual net sales of the relevant products

(1) The caps do not affect the Company's payment obligations under the License and Strategic Alliance Agreement and are merely set for the purpose of complying with the Listing Rules.

The License and Strategic Alliance Agreement became effective on December 13, 2017 and continues until the later of (i) the expiration or termination of all then existing Juno pipeline product licenses; or (ii) the expiration of the royalty term. The royalty term applies on a product-by-product and country-by-country basis commencing upon the first commercial sale of relma-cel or a related diagnostic product in the Territory, with the end date varying depending on the type of royalty owed to Juno. It may also be terminated earlier by mutual agreement, by either party for the other party's uncured material breach that has frustrated the fundamental purpose of this agreement, upon our or JW Shanghai's dissolution, by either party upon the bankruptcy of the other party, or by Juno if either party receives notice from the relevant regulatory authority alleging significant concerns regarding a patient safety issue that Juno reasonably believes would seriously impact the long-term viability of relma-cel. For further details of the License and Strategic Alliance Agreement, please refer to the section headed "Business — License Agreements with Juno — Rights In-licensed from Juno — Relma-cel" in the Prospectus.

Reasons for and benefits of the transactions

As the Company is a clinical and pre-clinical stage cell therapy company in the early stages of development, the licenses, technologies and know-how granted by Juno are essential to our development process. Juno and our Company established a strategic alliance to utilize Shanghai Ming Ju to conduct clinical trials in connection with the research, development, manufacturing and commercialization of certain cellular therapy products, including relma-cel, in China.

The royalty payment is a revenue sharing arrangement which was determined after arm's length negotiations between us and Juno, taking into account that it is common practice to share future sales revenue and proceeds from transfer of sub-licensing rights which in turn lowers the upfront fixed payment payable by the licensee in the Chinese biopharmaceutical market, according to Frost & Sullivan.

Listing Rules Implications and Waivers from the Stock Exchange under the License and Strategic Alliance Agreement with Juno

As at December 31, 2020, the Company was directly owned as to 19.31% by Juno, Juno is therefore one of the Substantial Shareholders. Pursuant to Rule 14A.07(1) of the Listing Rules, Juno is a connected person of our Company. Therefore, the transactions contemplated under the License and Strategic Alliance Agreement with Juno constitute continuing connected transactions of the Company under the Listing Rules.

The Stock Exchange has granted the waiver from strict compliance with the requirement under Rule 14A.53 of the Listing Rules in respect of the continuing connected transactions under the License and Strategic Alliance Agreement subject to the following conditions:

(1) the Company will comply with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the License and Strategic Alliance Agreement;

(2) the Company will designate a team to execute and ensure that the transactions in relation to the License and Strategic Alliance Agreement are undertaken in accordance with the terms therein;

(3) our CEO, Dr. Li, will use his best endeavours to supervise the compliance with the terms of the License and Strategic Alliance Agreement and applicable Listing Rules requirements to the extent not waived by the Stock Exchange on a regular basis;

(4) the independent non-executive Directors and the auditor of the Company will review the transactions in relation to the License and Strategic Alliance Agreement on an annual basis and confirm in our annual reports the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively;

(5) the Company will disclose in the Prospectus the background for entering into the License and Strategic Alliance Agreement, the terms of the License and Strategic Alliance Agreement, the grounds for the waiver sought and the Directors' and Joint Sponsors' views on the fairness and reasonableness of the transactions under the License and Strategic Alliance Agreement;

(6) after three years from the commencement of the commercial sales of relma-cel and related diagnostic products, our Company will set monetary caps by making announcement(s) (where appropriate) for the purpose of Rule 14A.53 of the Listing Rules; and such transaction will be subject to, among others, circular and independent shareholders' approval requirements if the highest applicable percentage ratio is more than 5%. In addition, our Company will disclose in its annual report a clear description of the basis for calculating the fees payable to Juno under the License and Strategic Alliance Agreement and any changes to such basis would be subject to independent shareholders' approval;

(7) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of the Prospectus on the above continuing connected transactions, the Company will take immediate steps to ensure compliance with such new requirements;

(8) apart from complying with reporting, announcement and independent Shareholders' approval requirements, setting a term of not exceeding three years and setting fixed monetary annual cap for which waivers are sought, our Company will comply with other requirements under Chapter 14A of the Listing Rules;

(9) the entering into the License and Strategic Alliance Agreement with Juno, as long as Juno remains as the connected person of the Company, will comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirement under Chapter 14A of the Listing Rules; and

(10) if there is any material deviation on the arrangement under the License and Strategic Alliance Agreement and the Company has more certainty on the expected milestone, the Company will re-apply for a cap in compliance with Chapter 14A of the Listing Rules.

The waiver set out above is for a term of three years ending on December 31, 2022. The Company will, after taking into account, among other things, the addressable market, the drug pricing and the historical transaction amount of the relevant products, re-assess whether a further waiver is required at the expiry of such initial term.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors and the auditor of the Company have reviewed the transactions in relation to the License and Strategic Alliance Agreement on an annual basis and confirmed the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively.

BCMA License Agreement with Juno

Principal terms

The Company entered into a license agreement with Juno on April 11, 2019 pursuant to which Juno granted the Company an exclusive, sublicensable, transferable and fee-bearing license under certain patent rights and know-how covering Juno's platform technology, solely to research, develop, commercialize, and manufacture or have manufactured JWCAR129, or related diagnostic products, in the JWCAR129 Field in the Territory. For further details, please refer to the section headed "Business — Collaboration and License Agreements — License Agreements with Juno" in the Prospectus. In consideration of the rights granted to us, we are required to make various upfront, milestone, royalty payments and reimbursement to Juno and the Company has set caps for milestone payment, royalty payment and reimbursement under the BCMA License Agreement (which does not affect the Company's payment obligations under the BCMA License Agreement but merely set for the purpose of complying with the Listing Rules) as follows:

Upfront payment : The Company shall provide Juno upfront payment comprising of (i) issuing 466,553 Series X Preferred Shares to Juno shortly after closing of Series A2 financing and (ii) issuing 4,665,530 (as adjusted after the Share Subdivision) Shares at nil consideration by June 11, 2022 if no product failure as defined in the BCMA License Agreement has occurred prior to April 2022, being to the third anniversary of the date of the BCMA License Agreement.

The Company has issued 466,553 Series X Preferred Shares to Juno on November 20, 2019 under (i) above and as at the December 31, 2020, no Shares have been issued under (ii) above. All such Series X Preferred Shares were converted into ordinary shares upon Listing.

Milestone payment : The Company shall provide Juno milestone payments in cash in an aggregate amount of up to US$35 million which are contingent on the occurrence of (i) milestone events relating to obtaining regulatory approvals for JWCAR129 and (ii) a milestone event relating to sales in the Territory relating to JWCAR129.

For the year ended December 31, 2020, no milestone payment has been made by the Company to Juno.

Royalty payment	:	We are required to pay Juno royalty payments in cash for JWCAR129 and any related diagnostic products based on annual net sales in the Territory, subject to certain adjustments in specified circumstances under the BCMA License Agreement. For the year ended December 31, 2020, no royalty payment was made by the Company to Juno.
Reimbursement	:	We are required to pay to Juno in cash the sum of, among others, all milestone payments and royalties owed by Juno to third parties with respect to JWCAR129 and related diagnostic products in the Territory pursuant to in-license agreements existing at the time of such development or commercialization. For the year ended December 31, 2020, no reimbursement was made by the Company to Juno.
Caps for milestone payment, royalty payment and reimbursement *(Note 1)*	:	The annual cap for the milestone payment to be paid to Juno pursuant to the BCMA License Agreement will be nil, nil and US$35 million for 2020, 2021 and 2022 respectively taking into account the estimated timing of the milestone events triggering milestone payments which is likely to occur in 2022 or later. Taking into account that setting annual cap formula may not be meaningful for JWCAR129 which is currently under pre-clinical development, the royalty payment and reimbursement to be paid to Juno pursuant to the BCMA License Agreement will not be more than US$10 million in aggregate for 2020, 2021 and 2022.

(1) The caps do not affect the Company's payment obligations under the BCMA License Agreement and are merely set for the purpose of complying with the Listing Rules.

The BCMA License Agreement became effective on April 11, 2019 and will remain in effect and until the expiration of the royalty term. The royalty term applies on a product-by-product and country-by-country basis commencing upon the first commercial sale of JWCAR129 or a related diagnostic product in the Territory, with the end date varying depending on the type of royalty owed to Juno. It may also be terminated earlier by mutual agreement, by either party for the other party's uncured material breach that has frustrated the fundamental purpose of this agreement, upon our or JW Shanghai's dissolution, by either party upon the bankruptcy of the other party, by Juno if either party receives notice from the relevant regulatory authority alleging significant concerns regarding a patient safety issue that Juno reasonably believes would impact the long-term viability of JWCAR129 if attributable to the CAR construct licensed from Juno, by Juno if the additional preferred shares are not issued by the timeline set forth in the BCMA License Agreement, or by us for Juno's termination, suspension, or clinical hold of development in the United States of the licensed CAR construct related to JWCAR129 for longer than 180 days. For further details of the BCMA License Agreement, please refer to the section headed "Business — License Agreements with Juno — Rights In-licensed from Juno — BCMA License Agreement" in the Prospectus.

Reasons for and benefits of the transactions

As the Company established a stable strategic alliance with Juno, it entered into the BCMA License Agreement to develop JWCAR129 further strengthen such alliance and expand the Company's pipeline products.

The royalty and milestone payment is a revenue sharing arrangement which was determined after arm's length negotiations between us and Juno, taking into account that it is common practice to share future sales revenue and proceeds from transfer of sub-licensing rights which in turn lowers the upfront fixed payment payable by the licensee in the Chinese biopharmaceutical market, according to Frost & Sullivan.

Listing Rules Implications and Waivers from the Stock Exchange under the BCMA License Agreement

As at December 31, 2020, the Company was directly owned as to 19.31% by Juno, Juno is therefore one of the Substantial Shareholders. Pursuant to Rule 14A.07(1) of the Listing Rules, Juno is a connected person of our Company. Therefore, the transactions contemplated under the BCMA License Agreement with Juno constitute continuing connected transactions of the Company under the Listing Rules.

Under Rule 14A.52 of the Listing Rules, a listed issuer is required to set a contractual term not exceeding three years. It is impracticable and extremely difficult for us to set a contractual term not exceeding three years in respect of the BCMA License Agreement. Therefore, the Company applied to the Stock Exchange for, and the Stock Exchange has granted to the Company, a waiver under Rule 14A.52 of the Listing Rules from strict compliance with the contractual term requirements.

The Company has applied for a waiver from strict compliance with the requirement under Rule 14A.52 of the Listing Rules to set a term of not exceeding three years under the BCMA License Agreement for the following reasons:

(1) the business of research, development, production and commercialization of drug candidates underlying the BCMA License Agreement is the nature of the transaction that requires a longer contractual term. If the renewal of the BCMA License Agreement is subject to the requirements of independent shareholders' approval every three years, even in the absence of any material amendment, change, rescission or re-signing of these agreements, we may face the unnecessary and substantial risks of failing to renew such agreement upon expiry and losing our competitive advantages. This may even prevent us from carrying on our businesses, bringing uncertainty to our continued operation;

(2) maintaining a long-term, exclusive cooperative relationship with Juno under the BCMA License Agreement is critical to our businesses and developments. The scale of the Chinese biopharmaceutical markets in China is huge. Juno specializes in research, development, production and commercialization of CAR-T product candidates. Our continuous business relationship with Juno provides a strategic advantage for us to expand our drug portfolio covering treatment of immunological diseases to maintain our competitiveness. In addition, the exclusive term to cooperate with Juno under the BCMA License Agreement safeguard the interests of our Company and our Shareholders as a whole by providing our Company with exclusivity in the relevant areas of business. Therefore, a contractual arrangement of indefinite term is necessary and critical to the sustainability of our business and to ensure our smooth and continued operations and also stable revenue and cash flows from the future commercialization of JWCAR129 in terms of indications related to immunological diseases. Subjecting the BCMA License Agreement to independent shareholders' approval will expose our Company to the risks of such agreements not being able to be renewed upon the expiry of a fixed term. This will give rise to unnecessary and substantial uncertainty to our business and therefore will not be in the best interests of our Company and our Shareholders as a whole;

(3) setting a term of not exceeding three years under the BCMA License Agreement will unduly hinder our development and operation. We engage in the research, development, manufacturing and commercialization of CAR-T product candidates for the treatment of immunological diseases. We rely on the revenue and profits derived from the commercialization of our drug candidates in the upcoming future. A three-year term on the transaction amount under the BCMA License Agreement will place an arbitrary ceiling on our future revenue, hence effectively limiting the scale of our business to meet market demands, which will unduly hinder our development and our ability to grow and create value for all of our Shareholders;

(4) the BCMA License Agreement is of an indefinite term longer than three years as otherwise normally permitted for the continuing connected transactions under the Listing Rules. Our Directors consider that the terms of the BCMA License Agreement are consistent with normal business practices for agreement of similar nature in the biotechnology pharmaceutical industry and are in the best interest of our Group and our Shareholders as a whole, because (i) the indefinite term of the BCMA License Agreement can secure long-term license rights for us, thus avoiding unnecessary disruptions to our business and enable long-term development and continuity of our operations and (ii) as confirmed by Frost & Sullivan, it is not uncommon in the biotechnology pharmaceutical industry where similar long-term licensing arrangements are adopted;

(5) the performance of the BCMA License Agreement with Juno will comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirement under Chapter 14A of the Listing Rules; and

(6) if there is any material deviation on the arrangement under the BCMA License Agreement and the Company has more certainty on the expected milestones, the Company will re-apply for a cap in compliance with Chapter 14A of the Listing Rules.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors and the auditor of the Company have reviewed the transactions in relation to the BCMA License Agreement on an annual basis and confirmed the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively.

Contractual Arrangements

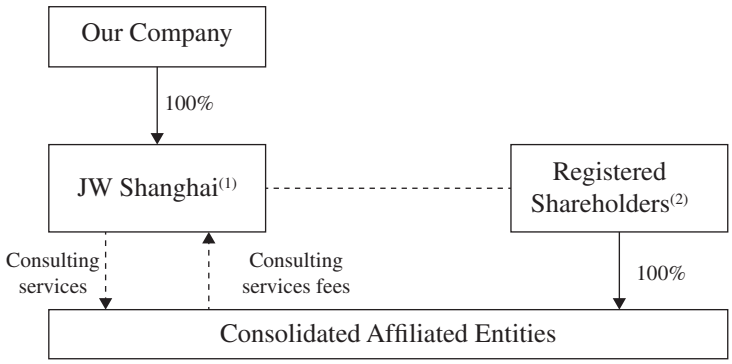
Reasons for Adopting the Contractual Arrangements

Foreign investment activities in the PRC now are mainly governed by the Industry Guidelines on Encouraged Foreign Investment (2020) (《鼓勵外商投資產業目錄(2020年版)》) and the *Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》)* (the "**Relevant PRC Regulations**"), promulgated jointly by the Ministry of Commerce of the PRC (中華人民共和國商務部) and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會), pursuant to which the industries listed therein are divided into three categories in terms of foreign investment, namely, "encouraged" "permitted" and "prohibited". According to the Relevant PRC Regulations, foreign investment is prohibited in the development and application of gene diagnostic and therapeutic technologies.

Our Group engages in the clinical trial of CAR-T therapies (the "**Relevant Businesses**"), which involve the development and application of gene diagnostic and therapeutic technologies, and therefore fall into the scope of the "prohibited" category of the Relevant PRC Regulations. As such, we currently do not directly or indirectly hold any equity interest in our Consolidated Affiliated Entities which are involved in the Relevant Businesses.

In order to comply with the PRC laws and regulations and maintain effective control over the Relevant Businesses, we, through our wholly-owned subsidiary, JW Shanghai, entered into the Contractual Arrangements with Shanghai Ju Ming and its relevant shareholders, pursuant to which JW Shanghai acquired effective control over the financial and operational policies of our Consolidated Affiliated Entities and has become entitled to all the economic benefits derived from their operations.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



Notes:

"→" denotes legal and beneficial ownership in the equity interest.

"– →" denotes contractual relationship through the Exclusive Business Cooperation Agreements.

"– –" denotes the control by JW Shanghai over our Consolidated Affiliated Entities through (i) powers of attorney to exercise all shareholders' rights in Shanghai Ju Ming; (ii) exclusive options to acquire all or part of the equity interest and/or assets in our Consolidated Affiliated Entities; and (iii) equity pledges over the equity interest in Shanghai Ju Ming.

(1) As of December 31, 2020, JW Shanghai was wholly-owned by JW (Hong Kong) Therapeutics Limited which was in turn wholly-owned by our Company.

(2) As of December 31, 2020, Shanghai Ju Ming was held by its Registered Shareholders, as to 50% by Ms. Jing Lv and 50% by Ms. Xing Gao, respectively.

A brief description of the specific agreements that comprise the Contractual Arrangements is set out below. For details of the specific agreements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

(1) Exclusive Business Cooperation Agreements

JW Shanghai and Shanghai Ju Ming entered into the exclusive business cooperation agreement on November 2, 2017 and the supplemental exclusive business cooperation agreements on July 29, 2020 and on September 15, 2020 (collectively, the "**Exclusive Business Cooperation Agreements**"), pursuant to which our Consolidated Affiliated Entities agreed to engage JW Shanghai as its exclusive provider of technical support, consulting services, and other related services, including but not limited to (i) software and technology licensing, (ii) technical services, (iii) network support, (iv) human resource support, (v) collection and research of technology and market information, (vi) business and management consultation, (vii) marketing and promotional services, (viii) development and testing of new products, (ix) equipment or properties leasing and (x) other related services requested by our Consolidated Affiliated Entities from time to time to the extent permitted under PRC law.

Pursuant to the Exclusive Business Cooperation Agreements, the service fee shall be paid on annual basis or any other timing as separately agreed between JW Shanghai and our Consolidated Affiliated Entities. The annual service fees shall consist of a management fee and a fee for services provided, which shall be reasonably determined by JW Shanghai based on certain factors, including, among other things, complexity and difficulty of such services, time commitment to such services, actual service scope, the market price of the same type of services and the operation conditions of Consolidated Affiliated Entities. In addition, the service fee shall be at a reasonable level in accordance with the nature of the services and shall consist of 100% of the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. Apart from the service fee, if JW Shanghai transfers, licenses or develops technology for our Consolidated Affiliated Entities, or leases equipment or properties to our Consolidated Affiliated Entities, such fee shall be determined by JW Shanghai and our Consolidated Affiliated Entities separately. For the year ended December 31, 2020, no service fee was made by the Consolidated Affiliated Entities to JW Shanghai.

(2) Powers of Attorney

JW Shanghai, Shanghai Ju Ming and Ms. Jing Lv entered into the power of attorney on November 2, 2017. JW Shanghai, Shanghai Ju Ming and Ms. Xing Gao entered into the power of attorney on July 29, 2020. Each of JW Shanghai, Shanghai Ju Ming and the Registered Shareholders entered into the supplemental powers of attorney on July 29, 2020 (collectively, the "**Powers of Attorney**"). Pursuant to the Powers of Attorney, each of the Registered Shareholders irrevocably and exclusively grant JW Shanghai or its designee(s) (being the directors of JW Shanghai's direct or indirect offshore parent company and liquidators and other successors replacing such directors) the power to exercise all rights of the Registered Shareholders as set out in the then-valid articles of association of Shanghai Ju Ming and relevant laws and regulations, including but not limited to the rights:

(i) to convene and attend shareholders' meeting;

(ii) to exercise all the shareholders' rights and shareholders' voting rights pursuant to the relevant PRC laws and regulations and the articles of association of Shanghai Ju Ming;

(iii) to handle the sale, transfer, pledge, or disposal of all or part of the equity interest in Shanghai Ju Ming;

(iv) to execute any resolutions and minutes as a shareholder of Shanghai Ju Ming and to file any required document to relevant government authorities;

(v) on behalf of the Registered Shareholders, to nominate, elect, designate, appoint or remove the legal representative, directors, supervisors, general managers, chief executive officer and other senior management members of Shanghai Ju Ming;

(vi) to approve the amendments to the articles of association of Shanghai Ju Ming; and

(vii) to deal with any asset of Shanghai Ju Ming, including but not limited to managing its asset-related business and accessing and acquiring its revenue and assets.

(3) Exclusive Option Agreements

JW Shanghai, Shanghai Ju Ming and Ms. Jing Lv entered into the exclusive option agreement on November 2, 2017. JW Shanghai, Shanghai Ju Ming and Ms. Xing Gao entered into the exclusive option agreement on July 29, 2020. Each of JW Shanghai, Shanghai Ju Ming and the Registered Shareholders entered into the supplemental exclusive option agreement on July 29, 2020 (collectively, the "**Exclusive Option Agreements**"), pursuant to which the Registered Shareholders and Shanghai Ju Ming irrevocably and unconditionally granted JW Shanghai irrevocable and exclusive rights (the "**Exclusive Option Rights**"), provided that it is permitted under the PRC laws and regulations, to acquire the equity interest in our Consolidated Affiliated Entities from the Registered Shareholders and Shanghai Ju Ming and/or to acquire the assets of our Consolidated Affiliated Entities by JW Shanghai or its designee(s), in whole or in part at any time at the sole and absolute discretion of JW Shanghai.

The equity interest purchase price shall be equal to the amount of registered capital contributed in our Consolidated Affiliated Entities by their shareholders respectively or any other amount as separately agreed between JW Shanghai or its designee(s) and the Registered Shareholders, or the minimum price legally required under the PRC laws and regulations if such minimum price is higher than the aforementioned purchase price. The purchase price received by the Registered Shareholders shall be used to offset their respective loan due to JW Shanghai under the Loan Agreements (as defined below) (the "**Offset Debts**"). If PRC laws impose mandatory requirements on the equity interest purchase price, such that the minimum equity interest purchase price permitted under PRC laws exceeds the price already offset with the Offset Debts, the Registered Shareholders shall promptly gift all of the amount exceeding the Offset Debts they received to JW Shanghai or its designee(s) in the manner permitted under the applicable PRC laws. For further details, please see "— Loan Agreements" in this section.

The asset purchase price shall be free or at a nominal price or the minimum price legally required under the PRC laws and regulations. Upon the assets being duly transferred to JW Shanghai or its designee(s) and after deducting necessary tax expenses, JW Shanghai or its designee(s) shall pay the consideration within seven days to the designated bank accounts of our Consolidated Affiliated Entities. Our Consolidated Affiliated Entities has also undertaken that, subject to the relevant PRC laws and regulations, they will return to JW Shanghai or its designee(s) any consideration they received within seven days in the event that JW Shanghai exercises the Exclusive Option Rights to acquire the assets of our Consolidated Affiliated Entities. If such return is not permissible under the PRC laws, the returned consideration will be in escrow by our Consolidated Affiliated Entities for JW Shanghai and our Consolidated Affiliated Entities shall cooperate with JW Shanghai to sign a custody agreement or other relevant legal documents.

Pursuant to the Exclusive Option Agreements, our Consolidated Affiliated Entities and the Registered Shareholders, covenant, among other things, that:

(i) without the prior consent of JW Shanghai, they shall not supplement, change, or amend the articles of association of our Consolidated Affiliated Entities, or increase or reduce the registered capital of our Consolidated Affiliated Entities, or otherwise change the structure of the registered capital of our Consolidated Affiliated Entities;

(ii) they shall maintain the corporate existence of our Consolidated Affiliated Entities in accordance with the good financial and business standards and practices;

(iii) without the prior consent of JW Shanghai, they shall not sell, transfer, mortgage or dispose of any material assets or legal or beneficial interest in the material business or revenues of our Consolidated Affiliated Entities, or allow to place encumbrances thereon;

(iv) without the prior consent of JW Shanghai, our Consolidated Affiliated Entities shall not incur, inherit, guarantee or suffer any debt, unless the debts incurred in the ordinary course of business other than through loans;

(v) they shall operate our Consolidated Affiliated Entities in the ordinary course of business so as to maintain our Consolidated Affiliated Entities' asset value, and shall not take or omit to take any actions which may adversely affect the operating status and asset value of our Consolidated Affiliated Entities;

(vi) without the prior consent of JW Shanghai, our Consolidated Affiliated Entities shall not enter into any material contracts other than in the ordinary course of business;

(vii) without the prior consent of JW Shanghai, our Consolidated Affiliated Entities shall not provide any person with any loan or credit;

(viii) upon request of JW Shanghai, they shall provide JW Shanghai with information regarding the operations and financial condition of our Consolidated Affiliated Entities;

(ix) our Consolidated Affiliated Entities shall purchase and maintain insurance over the assets and business of our Consolidated Affiliated Entities from an insurance carrier acceptable to JW Shanghai, at an amount and type of coverage typical for companies carrying on similar businesses;

(x) without the prior written consent of JW Shanghai, our Consolidated Affiliated Entities shall not merge, consolidate with, acquire or invest in any person;

(xi) they shall immediately inform JW Shanghai if assets, business, revenue or equity interest of our Consolidated Affiliated Entities involve in any litigation, arbitration or administrative proceeding;

(xii) our Consolidated Affiliated Entities shall sign all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints, and raise necessary and appropriate defenses against all claims to maintain the ownership of their assets;

(xiii) without the prior written consent of JW Shanghai, they shall not distribute any dividend to its shareholders. However, upon request of JW Shanghai, our Consolidated Affiliated Entities shall immediately distribute all distributable profits to their shareholders;

(xiv) at the request of JW Shanghai, they shall appoint any persons designated by JW Shanghai as the director or executive director of our Consolidated Affiliated Entities;

(xv) without the prior consent of JW Shanghai, they shall not engage in any business in competition with JW Shanghai or its affiliates;

(xvi) without written consent of JW Shanghai, our Consolidated Affiliated Entities shall not be dissolved or liquidated, unless otherwise mandatorily required by the PRC laws;

(xvii) once foreign investors are permitted to invest in the principal business of our Consolidated Affiliated Entities in China, and the competent government authorities of China begin to approve such investments, upon JW Shanghai's exercise of this option, the Registered Shareholders shall immediately transfer to JW Shanghai or its designee(s) the equity interest in our Consolidated Affiliated Entities held by them; and

(xviii) they shall procure the subsidiary and any subsidiary subsequently established, acquired or actually controlled by our Consolidated Affiliated Entities to exercise rights and perform the same obligations as our Consolidated Affiliated Entities and comply with covenants made by our Consolidated Affiliated Entities in accordance with the Exclusive Option Agreements.

(4) Loan Agreements

As part of the Contractual Arrangements, JW Shanghai entered into the loan agreement with Ms. Jing Lv on November 2, 2017. JW Shanghai entered into the loan agreement with Ms. Xing Gao on July 29, 2020. JW Shanghai entered into the supplemental loan agreement with each of the Registered Shareholders on July 29, 2020 (collectively, the "**Loan Agreements**"), pursuant to which JW Shanghai agreed to lend each Registered Shareholder RMB500,000 (the "**Loans**") for capital contribution to Shanghai Ju Ming or for the payment of the consideration of the equity interest of Shanghai Ju Ming. Such Loans will become immediately due and payable under any of the following circumstances: (i) 30 days after the Registered Shareholders receives a written notice from JW Shanghai requesting repayment of the Loan (and all interest thereon); (ii) death, lack or limitation of civil capacity of the Registered Shareholders; (iii) the Registered Shareholders cease to be a shareholder of Shanghai Ju Ming; (iv) the Registered Shareholders engage in criminal act or is involved in criminal activities; (v) once foreign investors are permitted to invest in the Relevant Businesses in China, with a controlling stake and/or in the form of wholly foreign-owned enterprises, and the competent government authorities of China begin to approve such investments; or the Registered Shareholders or Shanghai Ju Ming breach of the representations, warranties, covenants or other obligations under the Exclusive Option Agreements; and (vi) Shanghai Ju Ming failed to obtain or renew any governmental approval or license necessary for the operation of its core business.

(5) Equity Interest Pledge Agreements

JW Shanghai, Shanghai Ju Ming and Ms. Jing Lv entered into the equity interest pledge agreement on November 2, 2017. JW Shanghai, Shanghai Ming Ju and Ms. Xing Gao entered into the equity interest pledge agreement on July 29, 2020. Each of JW Shanghai, Shanghai Ju Ming and the Registered Shareholders entered into the supplemental equity interest pledge agreement on July 29, 2020 (collectively, the "**Equity Interest Pledge Agreements**"), pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interest in Shanghai Ju Ming to JW Shanghai as a security for their and Shanghai Ju Ming's performance of the contractual obligations under the Contractual Arrangements.

Under the Equity Interest Pledge Agreements, the Registered Shareholders agree that, the rights of JW Shanghai with respect to the pledge thereunder shall not be interrupted or harmed by the Registered Shareholders or their successors, heirs or representatives, or any other persons through any legal proceedings. If Shanghai Ju Ming declares any dividend during the term of the pledge, JW Shanghai is entitled to receive all such dividends distributed on the pledged equity interest, if any. In addition, pursuant to the Equity Interest Pledge Agreements, each of the Registered Shareholders has undertaken to JW Shanghai, among other things, not to transfer the interest in their respective equity interest in Shanghai Ju Ming or allow any encumbrance to be placed thereon without the prior written consent of JW Shanghai.

(6) Spouse Undertaking

The spouse of the relevant Registered Shareholders has executed an undertaking (the "**Spouse Undertaking**"), to the effect that (i) he acknowledges and consents the execution of the Contractual Arrangements by the respective Registered Shareholder, and the performance, amendments and termination of the Contractual Arrangements do not require his further authorization or consents; (ii) he undertakes not to make any assertions in connection with the equity interest of Shanghai Ju Ming held by the respective Registered Shareholder; (iii) he undertakes to execute all necessary documents and to take all necessary actions to ensure the proper performance of the Contractual Arrangements; and (iv) in the event that he obtains any interests in Shanghai Ju Ming, he shall be bound by the Contractual Arrangements and comply with the obligations thereunder as a shareholder of Shanghai Ju Ming, and upon JW Shanghai's request, he shall sign any document in the form and content substantially same as the Contractual Arrangements.

Development in the PRC Legislation on Foreign Investment

*The Foreign Investment Law (the "**FIL**")*

The FIL was adopted at the Second Session of the Thirteenth National People's Congress of the PRC on March 15, 2019 and came into force on January 1, 2020. The FIL replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law (《外資企業法》), and became the legal foundation for foreign investment in the PRC. For further details, please refer to the section headed "Regulatory Overview — Laws and Regulations Relating to Foreign Investment" in the Prospectus.

The FIL stipulates the implementation of the management systems of pre-establishment national treatment and "negative list" for foreign investment. The "negative list" issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in the PRC. A foreign investor shall not invest in any field in the "negative list" which is prohibited from foreign investment. A foreign investor shall meet the investment conditions stipulated under the "negative list" for any field in the "negative list" which is restricted from foreign investment. Concerning fields not mentioned in the "negative list" management shall be conducted under the principle of consistency between domestic and foreign investment. The FIL does not contain or quote the stipulation of the "negative list".

The definition of "foreign investors" in FIL includes foreign natural persons, enterprises and other organizations.

Moreover, the FIL does not stipulate that the "foreign investment" as defined thereunder shall include contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes "investments through other means stipulated under laws or administrative regulations or by the State Council" without elaboration on "other means".

Impact of FIL on Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our Consolidated Affiliated Entities, through which we operate the Relevant Businesses in the PRC. The FIL stipulates four forms of foreign investment, but does not mention concept "actual control", nor does it explicitly stipulate the contractual arrangements as a form of foreign investment. Besides, it does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. Provided that no additional laws, administrative regulations, departmental rules or other regulatory documents on contractual arrangements has been issued and enacted, the coming into effect of the FIL does not, by itself, have any material adverse operational and financial impact on the legality and validity of our Contractual Arrangements.

If the operation of our Relevant Businesses is not on the "negative list" and we can legally operate such businesses under PRC laws, JW Shanghai will exercise the option under the Exclusive Option Agreement to acquire the equity interest of our Consolidated Affiliated Entities and unwind the contractual arrangements subject to re-approval by the relevant authorities.

Furthermore, the FIL stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council". Although its implementing rules do not expressly stipulate the contractual arrangements as a form of foreign investment, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and Regulations. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. For further details, please refer to the section headed "Risk Factors — Risks Relating to Contractual Arrangements" in the Prospectus.

Sustainability of our Relevant Businesses

If any ancillary regulations or implementation rules of the FIL and the negative list subsequently issued mandates further actions for us to retain the Contractual Arrangements, we will take all reasonable measures and actions to comply with the FIL or such ancillary regulations or implementation rules then in force and to minimize the adverse effect of such laws on our Company. However, there is no assurance that we can fully comply with such law. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have material adverse effect on the trading of our Shares. If, after the Global Offering, we fail to comply with the new foreign investment law as finally promulgated, we may be required to dispose of our Relevant Businesses operated through our Consolidated Affiliated Entity under the Contractual Arrangements or make necessary corporate structure adjustments so as to comply with the new foreign investment law as finally promulgated.

In the worst case scenario, if any new foreign investment law subsequently promulgated is refined or deviates from the FIL, resulting in the Contractual Arrangements becoming invalid and illegal, we may not be able to operate the Relevant Businesses through the Contractual Arrangements and may lose our rights to receive the economic benefits of the Consolidated Affiliated Entities and the financial results of the Consolidated Affiliated Entities may no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If our Group does not receive any compensation, an investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely, if any ancillary regulations or implementation rules of the FIL is promulgated, that the relevant authorities will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. However, there is no guarantee that the PRC government will not take a relatively cautious attitude towards the supervision of foreign investments and the enactment of laws and regulations impacting them and make decisions according to different situations in practice.

Our Company will, after the Global Offering, timely announce (i) any updates or material changes to any ancillary regulations or implementation rules of the FIL that will materially and adversely affect us as and when they occur and (ii) in the event that any ancillary regulations or implementation rules of the FIL or any new foreign investment law has been promulgated, a clear description and analysis of law, specific measures adopted by our Company to comply with the law (supported by advice from PRC legal advisor), as well as its material impact on our business operation and financial position.

Risks relating to the Contractual Arrangements

- If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences and the relinquishment of our interests in the Consolidated Affiliated Entities.

- There is substantial uncertainty with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance, and business operations.

- The Contractual Arrangements may not be as effective in providing operational control as direct ownership, and the Registered Shareholders and the Consolidated Affiliated Entities may fail to perform their obligations under the Contractual Arrangements.

- The Company may lose the ability to use the permits, licenses, and intellectual properties held by the Consolidated Affiliated Entities that are important to the operation of our business if the Consolidated Affiliated Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

- The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of the Shares.

- The Registered Shareholders of Shanghai Ju Ming may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.

- Certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.

- If the Company exercise the option to acquire equity ownership of Shanghai Ju Ming, the ownership transfer may subject us to certain limitations and substantial costs.

For details, please refer to the section headed "Rick Factors — Risks Relating to Contractual Arrangements" in the Prospectus.

Compliance with the Contractual Arrangements

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(i) as part of the internal control measures, major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(ii) our Board, particularly our independent non-executive Directors, will review the overall performance of and compliance with the Contractual Arrangements at least once a year, and the confirmation from our independent non-executive Directors will be disclosed in our annual report;

(iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports and interim reports to update the Shareholders and potential investors;

(iv) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding (a) our status of compliance with the FIL, and (b) the latest regulatory development in relation with the FIL;

(v) our Company will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the implementation of the Contractual Arrangements, review the legal compliance of JW Shanghai and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements;

(vi) Our Company will comply with the conditions to be prescribed by the Stock Exchange under the waiver given; and

(vii) our Group will adjust or unwind (as the case may be) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations which allow the Relevant Businesses to be conducted and operated by owned subsidiaries of our Company without such arrangements in place.

Listing Rules Implications and Waivers from the Hong Kong Stock Exchange relating to the Contractual Arrangements

Ms. Xing Gao is one of our non-executive Directors. Pursuant to Rule 14A.07(1) of the Listing Rules, Ms. Xing Gao is a connected person of our Company. As at December 31, 2020, Shanghai Ju Ming is held by Ms. Xing Gao as to 50%. Pursuant to Rule 14A.07(4) of the Listing Rules, Shanghai Ju Ming is an associate of our Director and therefore a connected person of our Company. Therefore, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules.

In respect of the Contractual Arrangements, the Stock Exchange has granted a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject however to the following conditions:

(a) There shall be no change without independent non-executive Directors' approval;

(b) There shall be no change without independent Shareholders' approval;

(c) The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived from the Consolidated Affiliated Entities;

(d) The Contractual Arrangements may be renewed and/or reproduced (i) upon expiry of the existing arrangements or (ii) in relation to any existing, newly established or acquired wholly foreign-owned enterprise or operating company (including a branch company) engaging in the same business as that of the Group, without obtaining approval of the Shareholders, on substantially the same terms and conditions as the Contractual Arrangements; and

(e) The Group shall disclose details relating to the Contractual Arrangements on an ongoing basis.

For details, please refer to the section headed "Connected Transactions — 8. Contractual Arrangements — Waiver relating to Contractual Arrangements" in the Prospectus.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors, upon review of the overall performance of and compliance with the Contractual Arrangements, confirmed that:

(a) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(b) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, which is confirmed by the auditor of the Company; and

(c) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entity during the Reporting Period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Company and the Shareholders as a whole.

Further, the Consolidated Affiliated Entities undertakes that, for so long as the Shares are listed on the Hong Kong Stock Exchange, the Consolidated Affiliated Entities will provide our Group's management and our auditor with full access to its relevant records for the purpose of procedures to be carried out by our auditor on the connected transactions.

There is no change in the Contractual Arrangements for the period from the Listing Date to December 31, 2020.

Save as disclosed above, the related party transactions as disclosed in note 35 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, and except the continuing connected transactions that were granted full exemptions on the requirements under Chapter 14A of the Listing Rules by the Stock Exchange, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company during the Reporting Period in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

DONATIONS

During the Reporting Period, the Group made no charitable and other donations.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 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 threatening against the Company.

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office; be indemnified and secured harmless out of the assets of the Company; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty.

The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

AUDIT COMMITTEE

The Audit Committee had, together with the management and external auditor of the Company, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2020.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 87 to 104 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the Reporting Period and as of the date of this annual report.

AUDITOR

PricewaterhouseCoopers was appointed as the auditor of the Company for the year ended December 31, 2020. The accompanying financial statements prepared in accordance with IFRSs have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire at the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Yiping James Li
Chairman and Executive Director

Hong Kong, PRC, March 26, 2021

The Board is pleased to present the corporate governance report of the Company for the period from the Listing Date to December 31, 2020.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 of the Listing Rules as its own code of corporate governance. Save as disclosed in this annual report, the Company has complied with all applicable code provisions under the CG Code for the period from the Listing Date to December 31, 2020.

Code provision A.1.1 of the CG Code provides that board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on November 3, 2020, only one Board meeting was held during the period from the Listing Date to December 31, 2020.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, overseeing the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board Committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

As of the date of this annual report, the Board comprises one executive Director, six non-executive Directors and four independent non-executive Directors as follows:

Executive Director
Dr. Yiping James Li *(Chairman)*

Non-executive Directors
Mr. Hans Edgar Bishop
Dr. Krishnan Viswanadhan
Ms. Xing Gao (高星)
Dr. Ann Li Lee
Mr. Jinyin Wang (王金印)
Dr. Cheng Liu

Independent Non-executive Directors
Mr. Yanling Cao (曹彦凌)
Mr. Chi Shing Li (李志成)
Mr. Yiu Leung Andy Cheung (張耀樑)
Mr. Kin Cheong Kelvin Ho (何建昌)

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

For the period from the Listing Date to December 31, 2020, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

For the period from the Listing Date to December 31, 2020, the Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties.

Board Diversity Policy

We recognize and embrace the benefits of having a diverse Board to capture different talents so as to further bolster our Board's performance. This would also enable us in achieving a sustainable and balanced development in the long run. Our Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve and maintain its diversity. The Board Diversity Policy provides that the selection of Board candidates should be based on a range of diversity considerations, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotechnology, clinical research, life science, finance, investment, and accounting. They obtained degrees in various areas including microbiology, chemistry, pharmacy, biochemical engineering, chemical engineering, business administration, economics, mathematics, accounting and business law. The Board Diversity Policy is well implemented as evidenced by the fact that there are two female and nine male Directors ranging from 36 years old to 63 years old with experience from different industries and sectors.

We will continue to implement measures and steps to promote and enhance gender diversity at all levels of our Company. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into account the Board Diversity Policy and other factors, including but not limited to, his/her integration into our management mindset and business model and any specific requirements from time to time.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

According to the information provided by the Directors, a summary of training received by the Directors for the period from the Listing Date to December 31, 2020 is as follows:

Name of Directors	Nature of Continuous Professional Development Programmes
Executive Director	
Dr. Yiping James Li *(Chairman)*	A & B
Non-Executive Directors	
Mr. Hans Edgar Bishop	A & B
Dr. Krishnan Viswanadhan	A & B
Ms. Xing Gao (高星)	A & B
Dr. Ann Li Lee	A & B
Mr. Jinyin Wang (王金印)	A & B
Dr. Cheng Liu	A & B
Independent Non-Executive Directors	
Mr. Yanling Cao (曹彦凌)	A & B
Mr. Chi Shing Li (李志成)	A & B
Mr. Yiu Leung Andy Cheung (張耀樑)	A & B
Mr. Kin Cheong Kelvin Ho (何建昌)	A & B

Notes:

A: Attending training relevant to the Company's business conducted by lawyers

B: Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances

Chairman and CEO

Dr. Yiping James Li ("**Dr. Li**") is currently the Chairman and CEO. We consider that having Dr. Li acting as both the Chairman and CEO will provide a strong and consistent leadership to us and allow for more effective planning and management of our Group. Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman of the Board and CEO should be separate and should not be performed by the same individual. However, in view of Dr. Li's extensive experience in the industry, personal profile and critical role in our Group and our historical development, we consider that it is beneficial to the business prospects of our Group that Dr. Li continues to act as both the Chairman of the Board and CEO upon Listing.

Appointment and Re-election of Directors

a) Executive Director

The executive Director has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date. The service contract may be terminated by not less than one month's notice served by either party to the other.

b) Non-executive Director and independent non-executive Director

Each of our non-executive Director and our independent non-executive Director has entered into an appointment letter with our Company. The initial term of their appointment shall be three years from the date of the Prospectus (i.e. October 22, 2020) or until the third annual general meeting of the Company after the Listing Date, whichever is earlier (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committees meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committees meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committees meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

During the Reporting Period, one Board meeting was held. The Company did not convene any general meeting for the period from the Listing Date to December 31, 2020. The attendance of each Director at the Board meeting is set out in the table below:

Directors	Attended/Eligible to attend the Board meeting(s)	Attended/Eligible to attend the general meeting(s)
Executive Director		
Dr. Yiping James Li *(Chairman)*	1/1	N/A
Non-Executive Directors		
Mr. Hans Edgar Bishop	1/1	N/A
Dr. Krishnan Viswanadhan	1/1	N/A
Ms. Xing Gao (高星)	1/1	N/A
Dr. Ann Li Lee	1/1	N/A
Mr. Jinyin Wang (王金印)	1/1	N/A
Dr. Cheng Liu	1/1	N/A
Independent Non-Executive Directors		
Mr. Yanling Cao (曹彦凌)	0/1	N/A
Mr. Chi Shing Li (李志成)	1/1	N/A
Mr. Yiu Leung Andy Cheung (張耀樑)	1/1	N/A
Mr. Kin Cheong Kelvin Ho (何建昌)	1/1	N/A

Model Code for Securities Transactions

We have also adopted our own code of conduct regarding securities transactions, namely the Code for Securities Transactions by Directors (the "**Securities Transactions Code**"), which applies to all Directors of the Company on terms no less than the required standard indicated by the Model Code.

Specific enquiry has been made to all the Directors and they have confirmed that they have complied with the Securities Transactions Code throughout the period from the Listing Date to December 31, 2020.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are subject to the Model Code. No incident of non-compliance of the Model Code was noted by the Company as at the date of this report.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes but not limited to the following:

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

(d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and

(f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises three members and is chaired by an independent non-executive Director, Mr. Yiu Leung Andy Cheung (張耀樑), and consists of another independent non-executive Director, Mr. Kin Cheong Kelvin Ho (何建昌), and one non-executive Director, Ms. Xing Gao (高星).

The principal duties of the Audit Committee include the following:

1. reviewing the relationship with the auditor by reference to the work performed by the auditor, their remuneration and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the auditor;

2. reviewing the financial statements, reports and accounts and consider any significant or unusual items raised by the Company's qualified accountant, compliance officer or auditor before submission to the Board; and

3. reviewing the adequacy and effectiveness of the Company's financial controls, risk management and internal control systems and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

As the Company was only listed on November 3, 2020, only one meeting of the Audit Committee was held during the period from the Listing Date to December 31, 2020 to discuss and consider the following matters:

- being introduced the Company's financial and internal audit functions;

- reviewed the Company's consolidated statements of profits or loss for the two years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, as well as the Company's consolidated balance sheet as at December 31, 2018 and 2019 and as at September 30, 2020; and

- reviewed the Company's audit plan in 2020 prepared by the auditor of the Company.

Attendance of each Audit Committee member is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Yiu Leung Andy Cheung (張耀樑) *(Chairman)*	1/1
Ms. Xing Gao (高星)	1/1
Mr. Kin Cheong Kelvin Ho (何建昌)	1/1

Nomination Committee

The Nomination Committee comprises three members and is chaired by an independent non-executive Director, Mr. Chi Shing Li (李志成), and consists of one non-executive Director, Dr. Krishnan Viswanadhan, and one independent non-executive Director, Mr. Yanling Cao (曹彥凌).

The principal duties of the Nomination Committee include the following:

1. reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive;

3. identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; and

4. assessing the independence of independent non-executive Directors.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

Director Nomination Policy

The Board has adopted a nomination policy which sets out the selection criteria and process in relation to the selection, appointment and re-appointment of the Directors and aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the Company's business.

The nomination policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- reputation for integrity;
- skills, qualification and experiences;
- commitment in respect of available time and relevant interest;
- independence of proposed independent non-executive Directors; and
- diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service.

The Nomination Committee shall identify, consider and recommend to the Board appropriate candidates to serve as Directors and to make recommendations to the Shareholders. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

From the Listing Date to December 31, 2020, no meeting of the Nomination Committee took place as the Company was only listed on November 3, 2020.

Remuneration Committee

The Remuneration Committee comprises three members and is chaired by an independent non-executive Director, Mr. Chi Shing Li (李志成), and consists of one non-executive Director, Mr. Hans Edgar Bishop and one independent non-executive Director, Mr. Yiu Leung Andy Cheung (張耀樑).

The principal duties of the Remuneration Committee include the following:

1. making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. reviewing and approve management's remuneration proposals with reference to the Board's goals and objectives;

3. determining with delegated responsibility, the remuneration packages of individual executive Directors and senior management;

4. making recommendations to the Board on the remuneration of non-executive Directors;

5. considering salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;

6. reviewing and approving the compensation payable to executive Director(s) and senior management for any loss or termination of office or appointment in order to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;

7. reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct in order to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate;

8. ensuring that no Director or any of his associates is involved in deciding his own remuneration; and

9. reviewing the Group's policy on expense reimbursements for the Directors and senior management.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

From the Listing Date to December 31, 2020, no meeting of the Remuneration Committee took place as the Company was only listed on November 3, 2020.

Emolument Policy

The Company has established the Remuneration Committee to review the Company's policy and structure for the remuneration of all Directors and senior management and formulate remuneration policy. The remuneration of the Directors and senior management are determined based on their individual performance, responsibilities, qualification, position and seniority. The remuneration of all Directors and senior management is recommended by the Remuneration Committee.

Remuneration of Directors and Senior Management

The remuneration payable to the senior management of the Company (who are not the Directors) is shown in the following table by band:

	Year ended December 31,	
Remuneration bands (in RMB)	**2020 no. of individuals**	2019 no. of individuals
Less than RMB1,000,000	**—**	—
RMB1,000,001 to RMB1,500,000	**—**	2
RMB1,500,001 to RMB3,000,000	**—**	—
RMB3,000,001 to RMB4,500,000	**1**	—
RMB4,500,001 to RMB6,000,000	**1**	1
RMB6,000,001 to RMB7,500,000	**1**	—
RMB7,500,001 to RMB9,000,000	**—**	1
RMB10,500,001 to RMB12,000,000	**1**	—
	4	4

Details of the remuneration payable to the Directors and the five highest paid individuals for the year ended December 31, 2020 are set out in note 9 to the consolidated financial statements.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended December 31, 2020 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

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

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 135 to 140 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management and internal control system to safeguard Shareholder's investments and Company's assets, and reviewing the effectiveness of such system on an annual basis. The risk management and internal control 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 misstatements or loss.

The Board had conducted a review of the effectiveness of the risk management and internal control systems of the Group for the year ended December 31, 2020 and considered them effective and adequate.

Risk Management

We have adopted a series of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. The following key principles outline our approach to risk management:

- Our Audit Committee will oversee and manage the overall risks associated with our business operation, including (i) reviewing and approving our risk management policies to ensure that it is consistent with our corporate objectives; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operation and our management's handling of such risks; (iv) reviewing our corporate risk in light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management framework across our Company.

- Our chief finance officer, Mr. Xin Fu, will be responsible for (i) formulating and updating our risk management policy and targets; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Company; (v) reviewing the relevant departments' reporting on key risks and providing feedback; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competencies are in place across our Group; and (viii) reporting to our Audit Committee on our material risks.

- The Internal Audit department of the Group was established to assist the Board and the Audit Committee in their review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function will examine key risks in relation to material controls, and conduct supervision and audit on the Company's daily operations, to reasonably enable the Company's business operations continue to meet the Company's system requirements and external regulatory requirements.

- The relevant departments in our Company, including but not limited to the finance department, the legal & compliance department and the human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to standardize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk responses where necessary: and (v) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

Internal Control

Our Board of Directors is responsible for establishing and ensuring effective internal controls to safeguard our Shareholder's investments at all times. Our risk management policies set out a framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis.

Below is a summary of the internal control policies, measures and procedures we have implemented:

- We adopted various measures and procedures regarding each aspect of our business operation, such as protection of intellectual property, environmental protection, and occupational health and safety. For more information, please see the section headed "Environmental, Social and Governance Report" in this annual report. We provided periodic training on these measures and procedures to our employees as part of our employee training program. We also constantly monitor the implementation of those measures and procedures through our on-site team for each stage of the product development process.

- Our Directors (who are responsible for monitoring the corporate governance of our Group), with help from our legal advisors, conducted periodically review on our compliance status with all relevant laws and regulations.

- We have established an Audit Committee to assist the Board to monitor the effectiveness of the internal control systems, and (i) makes recommendations to our Directors on the appointment and removal of external auditors; (ii) reviews the financial information and renders advice in respect of financial reporting as well as oversee internal control procedures of our Group; and (iii) maintains regular dialogue with the Company's external auditors and internal audit.

- We have engaged Guotai Junan Capital Limited as our Compliance Advisor to provide advice to our Directors and management team. Upon our consultation, our Compliance Advisor provides advice and guidance in respect of compliance with the applicable laws and Listing Rules including various requirements of directors' duties and internal control in a timely fashion.

- To ensure compliance to applicable laws and regulations, we have engaged a law firm, Fangda Partners to advise us on and keep us abreast of Hong Kong laws and regulations. We continuously arrange various trainings sessions provided by external legal advisors from time to time when necessary, and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the latest Hong Kong laws and regulations.

- We maintain strict anti-fraud, anti-corruption and medical compliance policies on personnel with external communications. We also provided periodic trainings to our commercialization team to ensure them to comply with applicable promotion and advertising requirements, which include restrictions on promoting products for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities.

- We have put in place an internal policy for the handling and disclosure of inside information in compliance with the SFO. The internal policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in 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.

- We have developed standard operating procedures governing our activities including an integrated procurement-to-pay process, standardized financial reporting and accounting manual, expense accrual methodology and budgeting and tracking mechanism.

- Our Directors believe that compliance creates value for us and dedicate to cultivating a compliance culture among all of our employees. To ensure such compliance culture is embedded into everyday workflow and set the expectations for individual behavior across the organization, we regularly conduct internal compliance checks and inspections, adopt strict accountability internally and conduct compliance training.

The Audit Committee, on behalf of the Board, continuously reviews the risk management and internal control systems. The review process comprises, among other things, meetings with management of business groups, internal audit team, legal personnel and the external auditors, reviewing the relevant work reports and information of key performance indicators, and discussing the major risks with the senior management of the Company. During the Reporting Period, among other things, the Board has reviewed the Group's financial operation and compliance controls, the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions. The Company would review the arrangement of the internal audit function from time to time. The Audit Committee has reviewed the Company's internal audit function and the internal control systems for the year ended December 31, 2020. A confirmation regarding the effectiveness of these systems has been provided to the Board for the year ended December 31, 2020.

In addition, the Board believes that the Company's accounting and financial reporting functions have been performed by staff of the appropriate qualifications and experience and that such staff receives appropriate and sufficient training and development. There were no material internal control defects or significant areas of concerns identified during the Reporting Period. The Board is of the opinion that the Group's risk management and internal control systems were effective and adequate during the Reporting Period.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the auditor to the Group during the year ended December 31, 2020 was approximately as follows:

Type of Services	Amount *(RMB'000)*
Audit services	2,356
Non-audit services related to tax and ESG consultation	758
Total	3,114

COMPANY SECRETARY

The company secretary of the Company is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company engages Ms. Suet Wing Leung (梁雪穎) ("**Ms. Leung**"), a manager of the Listing Services Department of TMF Hong Kong Limited (a company secretarial service provider), as the company secretary. Mr. Xin Fu, the chief financial officer of the Company, is the primary corporate contact person at the Company whom Ms. Leung contacts.

For the year ended December 31, 2020, Ms. Leung has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The annual general meeting of the Company provides opportunity for the Shareholders to communicate directly with the Directors. The Chairman of the Board and the chairmen of the Board Committees of the Company will attend the AGMs to answer Shareholders' questions. The auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company maintains a website of the Company at www.jwtherapeutics.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

General meetings shall be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Shareholders may put forward proposals at general meetings by sending written notice of their proposals to the headquarters of Company at 4F, Building 42, No. 225 Meisheng Road, Pilot Free Trade Zone, Shanghai, PRC, or by email to IR_JW@jwtherapeutics.com.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at 4F, Building 42, No. 225 Meisheng Road, Pilot Free Trade Zone, Shanghai, PRC (email address: IR_JW@jwtherapeutics.com).

DIVIDEND POLICY

With respect to dividend policy, the Group currently intends to retain all available funds and earnings, if any, to fund the development of its business and it does not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be made at the discretion of the Directors and may be based on a number of factors, including the Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Directors may deem relevant.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company adopted amended and restated memorandum and articles of association adopted on October 14, 2020, which has been effective from the Listing Date. From the Listing Date to December 31, 2020, the said amended and restated memorandum and articles of association did not have any change.

ABOUT THE REPORT

JW (Cayman) Therapeutics Co. Ltd (the "**Company**") and its subsidiaries and consolidated affiliated entities (collectively, the "**Group**", "**we**" or "**us**") is pleased to present our first Environmental, Social and Governance Report ("**ESG Report**" or the "**Report**") to disclose our management and performance in environmental and social areas to our stakeholders.

Reporting Scope

The scope of the Report covers the core business of our Group from January 1, 2020 to December 31, 2020 (the "**Reporting Period**"). The environmental key performance indicators ("**KPIs**") herein cover our factories, offices and laboratories in Shanghai and Suzhou.

Reporting Standard and Principles

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued in December 2015.

The Report is prepared in accordance with the following reporting principles of the ESG Reporting Guide:

- "**Materiality**": Material ESG topics have been identified through stakeholder engagement and materiality assessment. Relevant information on material ESG topics have been disclosed in the ESG Report.

- "**Quantitative**": Quantitative information including environmental and social KPIs disclosed in the Report has been accompanied by a narrative, explaining its purpose and impacts. As this is our first ESG Report, comparative data will be provided in the future ESG Reports.

- "**Consistency**": The Report is the Group's first ESG Report. Consistent methodologies will be used in subsequent years to allow for meaningful comparison.

- "**Balance**": The Report provides on an unbiased picture of the environmental and social performance of our Group.

Description of Data

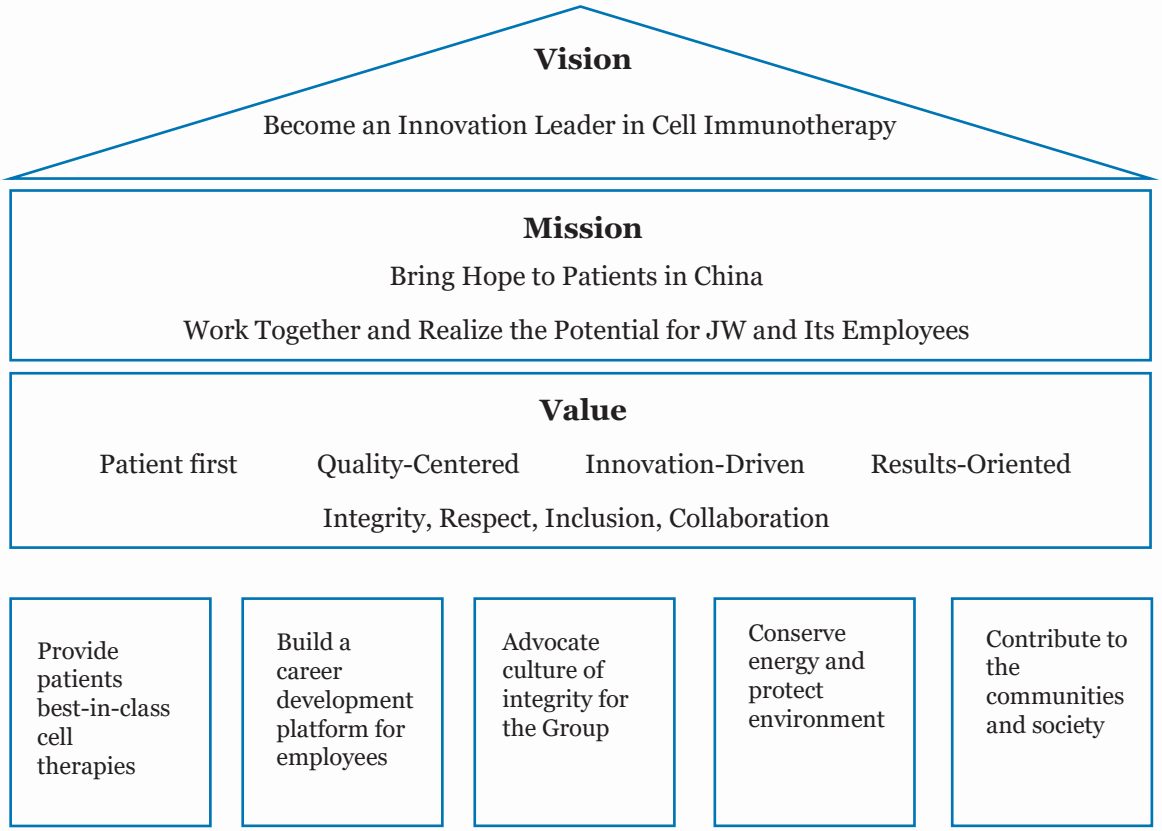
All data are derived from relevant statistical reports and official documents. We guarantee the objectivity and authenticity of the relevant data in the Report.

1 ESG MANAGEMENT

1.1 ESG Strategy

The Company is a leading clinical stage cell therapy company in China. As an early entrant into the field of cell-based immunotherapy in China, except for focusing on developing, manufacturing and commercializing breakthrough cell-based immunotherapies for hematological cancers and solid tumors, the Company also pays attention to fulfilling our responsibilities to environment, employees and communities.

Knowing well the importance of improving our environmental and social performance for sustainable operations, our Group has incorporated ESG risk and opportunity factors into our business strategy to guide the daily operations. The ESG model, including patients, employees, our stakeholders, environment and society, was built to guide the overall our ESG governance along the way to fulfill our vision and mission.



1.2 ESG Governance

We have established an ESG governance structure including the Board, Management Team and ESG Working Group, with detailed ESG management and reporting roles and responsibilities.

- The Board is the highest decision-making hierarchy supervising the Group's ESG activities and assumes full responsibility for ESG strategies and reporting. The Board regularly reviews the Group's ESG performance and approves the annual ESG Report. In 2020, the Board conducted discussion regarding ESG relevant topics, such as Quality, Regulatory, Recruiting, and Culture and behavior development, etc.

- The Management Team is responsible to formulate the Group's ESG approach and strategy, oversee and supervise the specific work conducted by the ESG Working Group.

- The ESG Working Group is composed of heads from relevant functional departments, including, Corporate Facility Engineering & Environment Health Safety ("**EHS**"), Quality, Legal & Compliance, Regulatory Affairs, Human Resources ("**HR**"), Finance and other relevant departments. Specific personnel is designated to perform daily ESG work, collect information and data to complete and submit annual ESG Report.

1.3 Stakeholders Communication

The main stakeholders of our Group include the government, regulators, shareholders, suppliers, partners, employees, customers, patients, industry association, community and the public. The Group attaches great importance to the engagement with stakeholders, correspondingly has established multiple communication channels to understand the requirements and expectations of those key stakeholders, regularly discuss and respond to their questions regarding ESG, thereby promoting the mutual growth of the Company and stakeholders.

Main stakeholders	Expectations and requirements	Main communication mechanism
Government/ Regulators	• Compliance operation • Product innovation and product safety • Support industrial development • Tax payment in accordance with laws	• Regular meeting and conferences • Inspection • Feedback and suggestion on policy
Shareholders/ Investors	• Investment return • Information disclosure • Corporate governance • Anti-corruption	• General meeting of shareholders • Information disclosure • Investor meetings and roadshow • Official website
Suppliers/Partners	• Sustainable supply chain • Equal, open and fair procurement • Win-win cooperation • Anti-corruption	• Regular communications and meetings • Performance evaluation • Onsite coaching and inspection
Employees	• Employee benefits • Employee training and development • Employee health and safety • Equal opportunity	• Town hall meeting • EHS committee • Training and performance review • Seminar and workshop • Team buildings

Main stakeholders	Expectations and requirements	Main communication mechanism
Customers/Patients	• Provide safe, high-quality treatment • Compliance marketing • Patient satisfaction • Privacy and data protection	• Company email and hotline • Formal meeting and visit • Participation in industrial conference • Informed consent form • Patient service
Industry association	• Communication and cooperation • Fair competition	• Industrial alliance • Workshop and seminar • Project cooperation
Community/The Public	• Care for the community • Support public welfare • Environment protection	• Public welfare activities • Public health promotion events • EHS association

1.4 Materiality Assessment

In accordance with the ESG Reporting Guide, we have conducted an ESG materiality assessment model through related internal stakeholder engagement to identify and determine the material ESG topics, to further guide the ESG management and reporting.

The main evaluation process is as follows:

➢ ***Identification***

In accordance with the disclosure requirements, considering our business development strategies and industry practice, the total of 20 ESG topics are identified, which are considered to have relevant impacts on stakeholders and the Company's business throughout our operations.

➢ ***Research***

An online materiality assessment survey was conducted with the internal stakeholders through relevant questionnaires to collect the views and focus areas on our Group's ESG work.

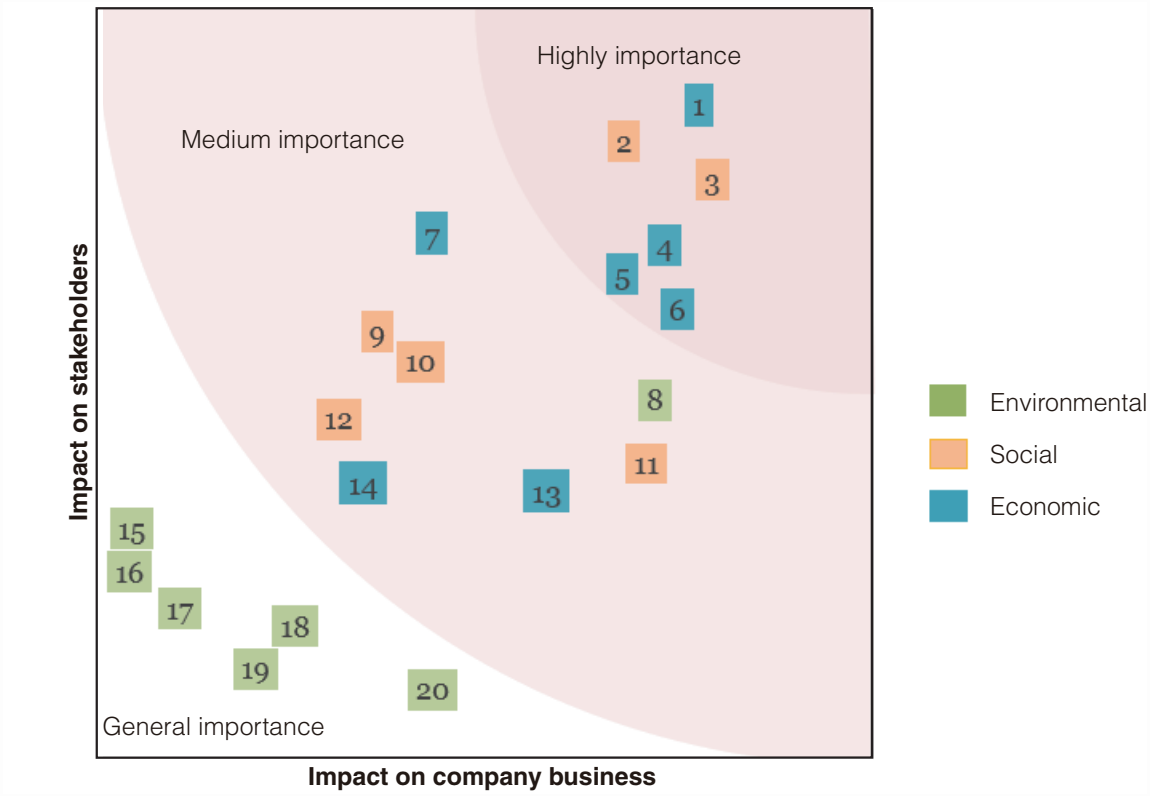
➢ ***Assessment***

The survey results are collected and analyzed to formulate the materiality evaluation matrix so as to determine the materiality level of the ESG topics.

➢ ***Review***

The Management Team and the ESG Working Group reviewed the evaluation result and confirmed the materiality assessment conclusion.

ESG Materiality Matrix



Key Topics of ESG in 2020	Corresponding Chapters
Topics of high importance	
1. Product quality and safety	Patient First
2. Employee health and safety	Inclusion and Collaboration
3. Compliance employment	Inclusion and Collaboration
4. Product research and innovation	Patient First
5. Compliance operation	Inclusion and Collaboration
6. Intellectual property protection	Patient First
Topics of medium importance	
7. Information security	Patient First
8. Solid waste management	Environmental Protection
9. Employee rights and benefits	Inclusion and Collaboration
10. Employee training and development	Inclusion and Collaboration
11. Inclusion and diversity	Inclusion and Collaboration
12. Public welfare and charity	Industry and Community
13. Customer service	Patient First
14. Sustainable supply chain management	Patient First
Topics of general importance	
15. Water resources utilization	Environmental Protection
16. Greenhouse gas emissions management	Environmental Protection
17. Packaging material management	Environmental Protection
18. Emissions management	Environmental Protection
19. Tackling climate change	Environmental Protection
20. Energy saving	Environmental Protection

2 PATIENT FIRST

Patient first, quality-centered, innovation-driven, results-oriented are all the core values to guide us to pursue long-term success. We always give top priority to fulfil the unmet needs of our patients. We devoted to developing the best-in-class or first in class cell therapeutics for China market, and bring the hope with revolutionary and innovative therapies for the patients.

The Company is a leading clinical stage cell therapy company in China. Since our founding in 2016, we have built an integrated platform focused on developing, manufacturing and commercializing breakthrough cell-based immunotherapies for hematological cancers and solid tumors. Our vision is to develop innovative cell therapies for the China market to transform the treatment of cancer for Chinese patients.

We are an early entrant into the field of cell-based immunotherapy in China. Cell-based immunotherapies, including chimeric antigen receptor T-cell ("**CAR-T**") treatments, are an innovative treatment method that uses human immune cells to fight cancer, representing a paradigm shift and the latest innovation in cancer treatment.

We have built a pipeline of product candidates intended to treat hematological cancers, where CAR-T has been proven to be effective. To leverage our integrated cell therapy platform to expand into a broad pipeline, we also keep exploration in the treatment for solid tumors, which represents the substantial potential given the significant unmet medical needs with a large market potential.

2.1 Innovation-Driven

Our uniquely designed and fully integrated development capabilities range from translational research and analytical development through process development and clinical development to regulatory affairs, clinical and commercial manufacturing.

Research and Development ("**R&D**") is a core part of our overall platform, and our capabilities span across the entire spectrum from discovery to clinical development and in both products and processes. Our R&D Team has been built, consists of cross-disciplinary expertise in a variety of fields. Our Zhangjiang R&D center in Shanghai, which is equipped with viral vector and cell therapy process development platform, analytical platform with molecular, flow cytometry lab, biochemical and physical-chemical lab, and cell-based assay lab.

Regulatory, Research and Development ("RR&D")

We developed Standard Operating Procedures ("**SOP(s)**") for the governance of clinical development activities and set up RR&D Team with professionals, so as to ensure the capability to safeguard the safety of subjects and data integrity of our clinical trials. All of our clinical trials were conducted in-house to assure the quality and the efficiency of execution. We have successfully passed the Good Clinical Practice ("**GCP**") inspections from the Center for Food and Drug Inspection of the National Medical Products Administration of China ("**NMPA**").

Trainings were organized to standardize and improve the technical and capability of our RR&D Team, and we continuously evaluate the quality of clinical trials.

Manufacturing

To prepare for the commercialization and continuously improve production efficiency and lower manufacturing cost, we put efforts to enhance our manufacturing and supply chain through innovation and scale. In June 2020, we received a production license from Jiangsu Province authorities for our new commercial manufacturing facility in Suzhou. This facility provides approximately 10,000 square meters for commercial and clinical manufacturing in compliance with Current Good Manufacture Practices ("**cGMP**") and Quality Management System ("**QMS**") standards.

Our manufacturing facility is designed to address all of the major challenges associated with scaling up from clinical scale to commercial scale manufacturing, which represents a paradigm shift in which product quality, regulatory compliance, process reliability, scalability and cost of goods all become critical factors. We believe the degree of automation that we have designed into our commercial manufacturing processes positions us as a leader in terms of CAR-T manufacturing.

We have had a 100% success rate for the manufacturing of Relmacabtagene autoleucel ("**relma-cel**") during our diffuse large B-cell lymphoma ("**DLBCL**") registrational clinical trial, which we believe compares favorably to other approved anti-CD19 CAR-T treatments.

In February 2021, the Company obtained the Marketing Authorization Holder ("**MAH**") Production License approval.

Achievement and Recognition

We believe that keeping the innovation efforts is essential to maintaining our competitive and leading position in the industry, and we are dedicated to enhancing our pipeline by leveraging our world-class in-house R&D capabilities and platforms.

Our lead product candidate, relma-cel, is an autologous anti-CD19 CAR-T therapy for third-line treatment for relapsed or refractory ("**r/r**") B-cell lymphoma. The New Drug Application ("**NDA**") for relma-cel as a third-line treatment for DLBCL was accepted for review by NMPA in June 2020 and was granted priority review in September 2020. Moreover, the NMPA also granted Breakthrough Therapy Designation for relma-cel as a treatment for follicular lymphoma ("**FL**"). Relma-cel is expected to be the first CAR-T therapy to be approved as a Class 1 biologics product in China.

Our innovation capacity has been recognized by the national and local government and regulators. In the past years, we have been granted as "National Major Program of New Drug Development in 2020", "Outstanding Enterprise in the Growth Group of the 8th China Innovation and Entrepreneurship Competition in 2019", "China's Top 50 Most Innovative Biomedical Companies in 2019", "Zhangjiang Science City Outstanding Enterprise Innovation and Development Award in 2019", and was successively entrusted with Shanghai Special Fund for Municipal Major Project of Strategic Emerging industry in 2019, and the Development of Small and Medium-sized Enterprises (Innovation) in 2019 and 2020.

Intellectual Property ("IP")

Protecting our IP is essential to position our competitive advantage in the biopharmaceutical market and protect the interests of the Company and our investors. We formulated Regulations on Intellectual Property Rights, to monitor the mechanism of data exchange and information exchange, etc., also to further standardize the use and management of patents, copyrights, trademarks. As of the Reporting Period, we have no patent registered in Mainland China and 61 trademarks certified in Mainland China, 13 trademarks certified in Hong Kong and 8 trademarks certified in Macau[1].

Ethics in R&D

We always pay attention in protection of the right, safety and well-being of clinical trial subjects, the safety of trial subjects is our top priority in clinical trials. The expected benefits and potential risks of participating in a clinical trial and the action of risks are clearly communicated to the participants in form of the Informed Consent Form (the "**ICF**"). Each participant must sign the ICF before participating in the trial, which including following contents:

Right to know	The background and purpose of the clinical research, the subject's responsibilities and rights, relevant impact, withdrawal options, possible adverse events and risks, reasonably expected benefits, the anticipated prorated payment (if any) and expenses, confidentiality and use of personal information, consultation method are clearly specified in the ICF.
Right to choose	Subjects have the right to refuse to participate or withdraw from the clinical trial at any time and without any reason. There is no impact on their rights to choose or receive other treatment from the withdrawal.
Right to privacy	The confidentiality of clinical trial data is strictly protected. Access to clinical trial data has been strictly limited to authorized personnel only. Both external parties and internal employees involved in clinical trials have been required to comply with confidentiality requirements.
Other rights	Each participant will be provided with corresponding compensations such as nutrition subsidies and transportation subsidies.

Animal Ethics

Given that our pre-clinical research involves the use of animal models, we selected and cooperated with qualified national-level animal experiment centers, to ensure the compliance in animal studies. We strictly followed the "Three R Principles" (replacement, reduction and refinement) and promised to protect animal welfare in animal experiment, such as minimizing behavioral restriction on experimental animals, avoiding or relieving the pain or injury caused to animals unrelated to the purpose of the experiment, etc. Also we adopt the principle of minimizing the number of animal use, as long as it meet study goals, and be compliant with relevant Good Laboratory Practice ("**GLP**") policies and requirements.

1 Mainland China, Hong Kong and Macau refer to Mainland China, Hong Kong (China) and Macau (China), respectively.

2.2 Quality-Centered

We regard the product quality as the Group's core stone, established the quality-centered philosophy, and made commitment to provide our patients with products of high quality.

- Quality control is our principle and every employee undertakes responsibility
- We implement and enforce regulations and standards throughout our daily work
- We are committed to delivering quality products to our patients

We strictly comply with the *Drug Administration Law of the People's Republic of China*, *Good Manufacture practice ("**GMP**") for Medical products,* etc., and guarantee to provide high-quality and safe products to our patients.

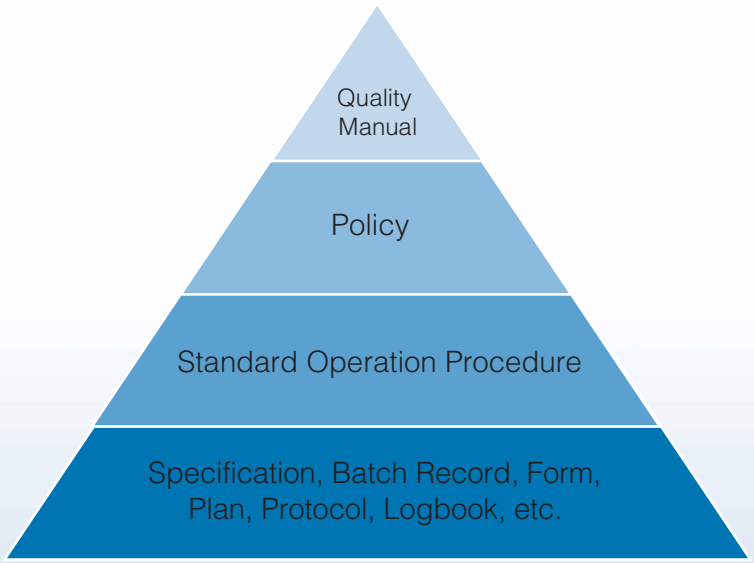
Quality by Design ("QbD")

The goal of process development is to design a drug manufacturing process that consistently yields a high-quality, safe, and effective product and the protection of the patient. In the QbD paradigm, we adopted a life-cycle approach during product and process development that encompasses development, optimization, and validation of a manufacturing process.

During the early stages in process development, Process Development team will work with a cross-functional group to develop a quality target product profile ("**QTPP**"), which provides an understanding of what will ensure the quality, safety, and efficacy of a specific product.

Quality Assurance ("QA")

QMS has been established in accordance with Chinese health authorities and International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use ("**ICH**") guidelines. The QMS helps to safeguard the highest quality of products, compliance throughout the product lifecycle including development, manufacturing, testing and distribution of Investigational Medicinal Products ("**IMP**") and commercial drug products, as well as facilitate innovation and continuous improvement.



We have appointed our Group's Senior Management to take the ultimate responsibility to ensure an effective pharmaceutical quality system. Quality Department is responsible to ensure the adequate and timely quality system and Good Manufacturing Practice ("**GMP**") compliance training implementation.

In order to continuously improve process performance, product quality and quality system management, we conduct regular internal audit and quality system management review to drive the continuous improvement of the QMS. In addition, Quality Review Board ("**QRB**"), Analytical Review Committee ("**ARC**"), Material Review Committee ("**MRB**") and Corrective Action and Preventive Action ("**CAPA**") Review Board have been set up to review the related quality issues on material, analysis and standards. Ultimately, these quality system management performance metrics will be reviewed by our senior management.

Quality Control ("QC")

We implement a holistic quality control strategy including raw material control, in-process, and release testing designed for gene and cell therapy products with high specificity, sensitivity and fast turnaround. In addition, we have built capabilities to improve, validate and transfer analytical methods from Process Development team and both internal and external collaborators in assay platform, to better assure product quality.

We developed the *QC Specification* and material sampling related policies to regulate starting materials, in-process materials, packaging materials, process chemicals, excipients, process consumables, pharmaceutical packaging materials, etc., committing to controlling products to meet quality technical requirements during the production stage.

Quality Audit of Good x Practice ("GxP") suppliers

Quality of GxP suppliers is also an important component of our QMS. We reviewed the qualification and quality management of our service providers, material suppliers and contract organizations. Our GxP suppliers are required to sign *Quality Agreement* (《質量協議》) with us to guarantee the product quality.

Supplier audit or quality evaluation by information in written form were performed to evaluate supplier's quality. Remediation actions will be taken according to different audit results. If the audit result is "Fail", the responsible party should take corrective and preventative actions, otherwise the services and materials will be terminated. Accordingly follow up audit will be conducted once receiving the notification of completion of the actions and supporting evidence in writing.

Label and Package Insert Management

Regarding on drug package insert, labels, artwork design, we have developed corresponding internal policies to guide the procedures and responsibilities for draft, review, approval and submission for insert and label.

2.3 Supply Chain Management

Sustainable and stable relationship with our suppliers is the foundation to ensure that our products could be consistently produced and meet quality standards such as GMP. We abide by the *Good Manufacture Practice of Medical Products* and other laws and regulations, and established the *Procurement Procedure & Policy*, to define the Company's sourcing strategy and the end-to-end purchasing control framework, including supplier selection, contract negotiation, purchasing requisition and order approval, goods receipt or service confirmation, payment and supplier management. Procurement Department is centrally responsible for the procurement policy and strategy setting and supplier management to ensure the compliance and efficiency continuously.

Supplier Selection

To provide a transparent and fair supplier selection platform, we defined the criteria for comprehensive assessment, including quality, cost, delivery, service, risk and/or other applicable attributes. The supplier selection decision record form is confirmed by business partner and endorsed by Procurement department.

Once the supplier is selected through the above procedure, the *Compliance Statement* and the *Confidentiality Agreement* were required to be signed off by the supplier, which prohibits the suppliers from inappropriate activities which might harm the fairness of transaction and fair competition, and from disclosing confidential and proprietary information of our Group. As per stated in the *Code of Conduct*, our employees have the responsibility to avoid conflicts of interest with suppliers and ensure fairness and justice in business decisions. In 2020, we have engaged 80 new suppliers. By the end of December 31, 2020, there were 291 suppliers in the pool in total.

Supplier Evaluation

To continuous evaluate the performance, and assess the quality and risk of our suppliers, we established *Supplier Performance Evaluation policy* to define the procedure and methodology for supplier performance evaluation, communication, and follow up action.

We prioritized our supplier by categories and set up the evaluation schemes accordingly. The main evaluation dimensions including cost, quality, delivery, risk, service and EHS. Huaxia Dun & Bradstreet, a professional business insight and risk management service provider, was engaged by our Group to conduct due diligence on our Group's suppliers during the supplier engagement procedure.

Sustainable Supply Chain

We fully realized that the sustainability of the supply chain determines the flexibility and response of a company to the crisis such as the pandemic, we pay more and more attention to maintain a sustainable supply chain. The EHS performance of the suppliers, including the environmental protection, health and safety management, composed one of the evaluation components for our consideration. Additionally, we encourage our suppliers to adopt green products or services. For example, our blood sample carriers adopted high-speed railway as the transportation method, which meet the timing requirement for delivery, also contributes to reduce the carbon footprint in transportation.

2.4 Protection Rights and Interests of Patients

The Group abides by the *Drug Administration Law of the People's Republic of China*, the *Provision for Adverse Drug Reaction Reporting and Monitoring*, and established relevant internal policies to guide the employees, to continuously provide adequate protection of patient's health and rights during the business and operation.

Compliance Marketing

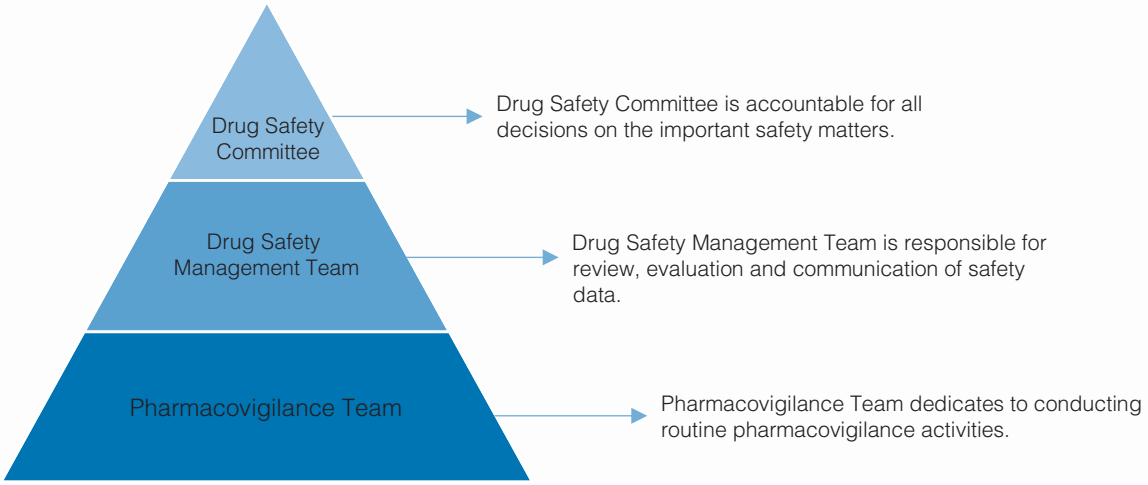
We always adhere to the principle of "honest and integrity" when delivering scientific knowledge and promoting our products with our stakeholders.

We strictly require our employees deliver information consistent with the prescribing information approved by the relevant regulatory authorities, during the scientific interaction with healthcare professionals or government officers. Under no circumstance, are our employees allowed to promise or provide anything of cash value to encourage or induce them to buy or use our products.

We conducted periodical training for all employees to enhance employees' awareness of compliance. On October 12 and December 28, 2020, we arranged specific trainings to commercial teams, where the Company vision & mission, medical knowledge, marketing skill, and compliance requirement along with other company policies were clearly delivered.

Pharmacovigilance ("PV")

The Company committed to provide effective and safe product, and safeguard those who take our products or take part in our clinical trials. A complete governance framework and system has been built to manage PV activities, including Drug Safety Committee, Drug Safety Management Team, Drug Safety and Pharmacovigilance Team.



All of our Employees, patients, healthcare professionals, distributors, and license partners are acknowledged with the responsibility to report if any Adverse Event ("**AE**") or Adverse Drug Reaction ("**ADR**") through email and hotline, which enables us to have better understand of safety features of our products, protect the health of patients, and ensure to abide by the *Law of the People's Republic of China on Administration of Drugs*.

We pay attention to the safety risk assessment of future commercialized products and develop a risk management plan for each specific product, so as to better exert the efficacy of our products, while controlling and minimizing the risks of our patients. As specified in the *Standard Operating Procedure* ("***SOP**") on Pharmacovigilance Management* and *Management of ADR Monitoring and Report*, we established a standard procedure in ADR case monitoring, collecting, processing, investigation and submission. Drug safety staffs are assigned to be in charge of AE capture, investigation, following up attempts, archiving, safeguard the patients who take our product.

Product Recall

We have established procedures regarding *Management of Product Recall* and *Product Return Management*, covering the procedures for product recalls and returns, CAPA management, reporting, to fulfil the relevant regulation requirement and reduce negative impact on our patients.

Activities and events such as deviation, out of specification ("**OOS**") investigation, complaints, serious ADR etc. may lead to potential recall. Once recall decision made by QRB, we will immediately establish a Recall Taskforce Group and develop a recall execution plan. After Health Authority ("**HA**") endorse with proposed execution plan, recall activities can be executed.

The following recall plan consists of issuing written recall notice, evaluating of recalls and recalled products, receiving and disposition of recalled products, developing summary report of recall and reporting to HA. In order to ensure that the recall procedure could be executed properly and all related parties are responsive, QA will conduct mock recall to test the mechanism on appropriate basis if no actual recall happened after the commercialization.

During the reporting period, we did not have any approved or commercialized products. We had zero recalls for safety and health reason.

Customer Service

We always put patients' needs first and strive to provide them with best in class therapies and service as well. A dedicated patient service team has been established under commercial function, to provide support service for each of our patient during the entire therapy progress.

The patient's complaint can be filed via our customer service hotline, additionally the customer complaint investigation and preventive system has been established, all quality related complaints received from our customers and/or from report of AE & ADR will be investigated and reported in a timely and compliant manner, so as to minimize the potential risk to patients.

According to the *Management of Product Complaints*, the process of handling product complaints mainly includes complaint receiving, complaint verification, complaint investigation, impact assessment and developing and conducting CAPAs (if necessary), response to customers (Product Complaint Response Report), and closing up of the complaints.

During the Reporting Period, there was no complaints received.

Information Security

We pay attention to the data security and privacy protection for our Group, employees, patients and our stakeholders, including personal information, human subjects in clinical trials and other sensitive information, etc.

Our Information Technology ("**IT**") department is responsible to adopt technical measures to protect the Company's information security including firewall, anti-virus programs, data backup, etc. All the internal files are granted with different levels of confidentiality. Electronic files generated by most employees from critical business functions are encrypted to avoid external leakage, and access of the personnel is monitored and well managed.

In terms of information security management, we formulated *Employee IT Information Security Policy* with detailed regulations on data protection, account management, internal file decryption procedures, etc.

Employees are required to follow the information security policy and safeguard the confidentiality of our data and information. Information security training is incorporated in the new employee orientation ("**NEO**"). Employees and suppliers need to sign *Confidentiality Agreements* to protect the core information assets of the Group.

During the Reporting Period, the Group did not have any information leakage incident happened.

3 INCLUSION AND COLLABORATION

Our Group believe that talent is critical to the success of an enterprise. One of our core Company value is "Integrity, Respect, Inclusion and Collaboration". During the process of the Company's development, we keep focus on building up the culture of highly integrity, diversity & inclusion, people caring and team collaboration. We are committed to providing a safe, healthy, innovative and diverse working environment, to protecting our people's well-being, motivate and foster our people, to realizing their potential and development goals, as well as fulfilling the Company's vision and mission as a team.

3.1 Compliance Employment

We strictly abide by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and other labor related laws and regulations.

We formulated the *JW Employees Handbook*, specifying the related internal policies for employment, termination, working hours, remuneration, social insurance and benefits, leaves, training, EHS, code of conduct, etc., with the aim to provide our employees with a clear understanding of our corporate value, culture and relevant policies.

Diversity and Equal Opportunity

We have employees from diverse areas and backgrounds. Adhering to the general recruitment principle of "legitimate, fair, voluntary, negotiable", we are committed to creating and maintaining a fair, transparent and diversified employment culture to assure equal treatment and opportunity within the Group regardless of ethnicity, race, religious beliefs, age, nationality, physical disability, etc.

Discrimination or harassment against colleagues in the workplace is strictly prohibited by the Group. Any violation cases will result in the termination of the employment contract. Employees can report or appeal the non-compliance activities to the line manager, HR or CEO.

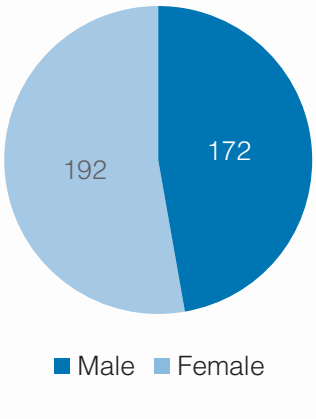
Recruitment and Termination

We have established a standard recruiting process in *JW Recruitment Policy* and *JW Employees Handbook* to standardize the procedure and requirement of our recruitment work. Our employees are mainly recruited through head-hunting company, recruitment fair, online channels and internal referral. The HR Department and hiring department will interview the candidate and assess the candidate's overall technical skills and competencies.

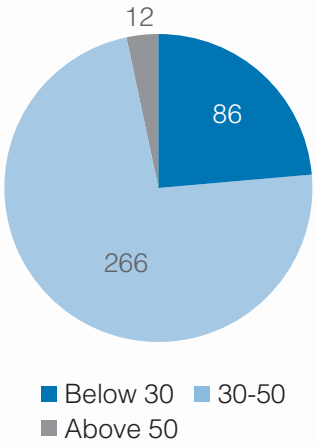
We abide by the *Provisions on the Prohibition of Using Child Labor*, and *JW Employees Handbook* and specify that child labor and forced labor are strictly prohibited. Before signing a labor contract, the candidate's background information including the identity document and qualification certificate will be checked and verified through the third-party background investigation company as needed, to avoid the risk of child labor or forced labor.

As of December 31, 2020, we had a total of 364 full-time employees. The total workforce by gender, age group and geographical region is as follows:

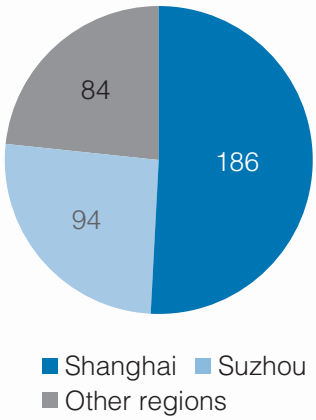
By gender



By age group



By geographical region



We strictly comply with applicable laws and regulations, and *Employee Exit Policy* in the termination procedure. In order to continuously improve the talent retention and development, we conduct exit interview with employees to understand the reason for resignation. The overall employee turnover rate in 2020 was 19%.

Working Hours and Holidays

As per *JW Employees Handbook*, we adopt the standard working hours, and we don't encourage unnecessary overtime working. For if any overtime may incur, the pre-approval from the department manager is required. On the other hand, to provide our employees with work-life balance opportunities and also assure the adequate resources to support the business development, we performed headcount review regularly, and take action accordingly.

The various holidays are granted to our employees, including the national holidays, paid annual leave, sick leave, personal leave, marriage leave, maternity and paternity leave, work injury leave, funeral leave and other holidays.

Compensation and Benefits

We provide employees with a fair, reasonable and competitive salary mechanism, and aim to build up a harmonious, stable and collaborative labor relationship with our employees. The remuneration is composed of basic salary and bonus. The salary range is annually assessed based on the job responsibility of each position, market salary benchmark, and employee's skill and experience.

We also established an equity incentive mechanism to provide equity incentive to the mid-level and senior level management, and core employees, in order to attract, retain and motivate those who play significant roles in contribution of the Company's success.

The social security insurance funds (including pension plan, unemployment insurance, work-related injury insurance, medical insurance, maternity insurance and housing fund) are paid according to national and local policies and regulations. We also grant our employees with a variety of benefits including rent subsidies, transportation subsidies and commercial health insurance, etc.

Promotion

To support our employees to fulfil their career development goals, we have established the JW career ladders of management and expertise development directions. Employees can set targets to develop towards management direction, either can focus on pursuing professional skills elevation, and become experts in various fields.

Employee Care and Communication

Work-life balance is important for employee's health and relationships. Periodically we organized various employee activities, such as badminton clubs and hobby groups, and invited external coach to hold yoga classes for our employees.

We also grant our employees with welfare and benefit such as bonus points and preferential e-coupons for festival celebration.

Christmas Party

Celebrate Children's Day

Healthy Exercise

To strengthen internal communication and form a harmonious working atmosphere, we held periodical town hall meeting as the communication bridge between employees and the management team. During the town hall, the best employees and the best team were awarded and rewarded.

3.2 Training and Development

To enable our employees keep learning and growth with the Company's business development, we provided our employees with both technical and soft skill trainings, to help them to improve the capacity, productivity and work performance.

In terms of GMP related workspace and personnel, to ensure our employee obtain essential qualification to conduct GMP related activities, we have developed *Personal Training and Qualification* manual, to specify the personnel training and qualification requirement including the training courses, assessment and recording requirements.

According to job requirements and training demands, we provided a range of training programs tailored to meet the needs of different positions and employees in 2020.

Knowledge Sharing Forum	The Knowledge Sharing Forum is organized internally for employees on regular basis. The purpose of this kind of sharing is to establish a cross-function learning network for our employees, where insights and knowledge could be transferred by our internal experts, and enhance cross-function collaboration as well. During the reporting period, various topics from different functions were shared including Supply Chain, Manufacturing Science and Technology, Quality, etc.
New employee orientation	NEO is organized for our new joiners regularly, which aims to help our employees have a quick learning and integration to the Company's development, culture, organization setting, and provide essential training such as EHS, PV, GMP, Compliance, etc.
Regulation Training	Various regulation trainings are provided to our employees to equip them with the latest development of legal requirement and industrial knowledge. For example, we organized multiple internal trainings, to improve employees' understanding of the revised Norms on the *Quality Management for the Clinical Trials of Medical Devices* implemented on July 1, 2020.
Management Training	Management Training is arranged for the management team and talents to improve the leadership skills. For example, we held the "Leadership Skill" training on May 9, 2020 in Suzhou site, to comprehensively improve the overall capacity of the management team, broaden their knowledge and vision.
Industrial Training	External professionals and experts were invited to share the latest technologies, tools, and valuable topics within our industry. For example, on December 4, 2020, McKinsey's consultants conducted a knowledge sharing in terms of the technology development in the pharmaceutical industry for all employees.

GCP related training

3.3 Health and Safety

Employees' health and safety has been taken as the primary consideration in our daily operation. We integrated health and safety into the Company's operation objective, the management undertakes responsibility to protect our employees and business operations. We strictly comply with relevant laws and regulations, including but not limited to the *Labour Law of the People's Republic of China*, the *Work Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* and other relevant regulations.

We has established a safety management framework. A dedicated EHS team has been set up with the responsibility for the Company's environmental protection, work safety and occupational health protection. All the EHS team members have obtained the safety management expertise certificate issued by the qualified training agency. Additionally, each department has appointed one EHS coordinator to facilitate and participate in the daily EHS management work.

Work Safety

The Group has formulated internal policies such as the *Job Hazardous Analysis and Risk Assessment* (《作業危害分析和風險評估》), the *Safety Inspection Policy*, and the *Hidden Danger Investigation and the Rectification Management Policy* to guide the daily work safety management.

The potential safety risks related to our operation were identified, classified and evaluated. Safety protection measures were taken to ensure that the safety risks are under control. For those key safety hazards, such as chemical safety, fire safety, gas cylinder safety, energy isolation, etc., the corresponding SOPs have been established. The EHS team carried out regular safety inspections including the daily inspections, special inspections, holiday and seasonal inspections. For if any potential safety hazard identified during the inspections, prompt rectification measures should be taken by responsible personnel. For if any safety incident occurs, we will immediately set up a special team to conduct thorough investigation, and take corrective and follow-up actions to avoid the occurrence of same incidents and enhance the safety protection effectiveness.

Taking chemical safety as an example, we have established the *Chemical Safety Management* policy, to define the chemical safety management procedures for the end-to-end process, including introduction, purchase, storage, use, and disposal of chemicals, to ensure the chemicals are handled under the premise of safety and compliance.

The infectious spill emergency drill was conducted to enhance our employees' response and rescue capabilities to infectious hazardous materials spill incident.

In terms of energy isolation, we have specified the requirements for energy isolation operations in *Energy Isolation Management* policy to prevent personal injury or property loss caused by accidental release of energy. Lockout-Tagouts were installed near the machinery and equipment with energy in the work area.

The fire safety management system was built up and fire emergency evacuation plan was formulated according to the *Fire Prevention Law of the People's Republic of China*. We keep regular maintenance and inspection for fire protection equipment to reduce the risk and protect our personal and property safety. Fire drills are regularly organized as well.

We carried out fire evacuation drills, fire extinguisher operation drills, and fire simulation escape exercise for all employees.

On-job trainings related to safety were provided to our employees, especially for those employees in high-risk positions, specific safety-related trainings were provided to improve their safety awareness and prevent personal injury or property damage.

Occupational Health

We strictly comply with the applicable regulations related to occupational health for our employees. The occupational health hazard factors were monitored by our EHS team, also we actively cooperated with the supervision and monitoring carried out by government departments.

The *Occupational Hazard Notice* is provided to the employees in occupational health risk positions along with signing the labor contract, to ensure the employee is fully acknowledged of the occupational hazards, consequences and occupational disease protection measures related to the work.

Following the *Occupational Health Monitoring and Archives Management*, we strictly implemented the health monitoring policy, standardized the pre-job, mid-post and off-job physical examinations. Persons with abnormal physical examinations should be re-examined in a standardized manner, and if necessary, they should be promptly transferred from dangerous positions. In the Reporting Period, there was no occupational disease case in the Group.

Site safety notes were posted in occupational hazard workplaces to show the safety hazards and necessary protection measure. In daily work, the personal protection equipment such as protective clothing and masks, safety helmets and other protective equipment are provided to the employees in positions exposed to occupational health risk for prevention from occupational diseases. Trainings related to occupational hazard prevention and self-protection knowledge were provided to our employees regularly. We also established the emergency rescue plan, set up emergency rescue devices and conduct regular drills on occupational hazards protection.

Site safety notes

Fight the Impact of COVID-19 Pandemic

Facing the sudden outbreak of Corona Virus Disease 2019 (COVID-19), we strictly followed the important instructions from government and our Group's leaders. We were able to take prompt response, formulated the *New Coronavirus Epidemic Prevention and Control Guidance*, and set up emergency team to strengthen prevention and control work.

During the past year, we took effective epidemic prevention and control. We provided our employees with on-line training and sufficient epidemic prevention equipment (including but not limited to goggles, masks, and disposable gloves). We established a Pandemic Response Taskforce in January 2020, which monitored daily updates on national and local government policy changes. We implemented twice daily temperature checks and daily reporting of health status and travel history for all employees and onsite contractors, as well as a stringent visitor's policy. We significantly increased the frequency of disinfections for all our facilities, and implemented policies on social distancing and facility ventilation.

In the reporting period, no employee infection case occurred in our Group.

3.4 Integrity

Integrity and business ethics is one of the Company's core values. We expect all employees to work and behavior with highly integrity, which is the cornerstone to realize the Company's vision and mission.

We strictly comply with relevant laws and regulations against corruption, bribery and money laundry, including the *Anti-Unfair Competition Law of the People's Republic of China*, the *Code of Conduct for Practitioners in Medical Institutions*, the *Interim Provisions on Banning Commercial Bribery* and the *Anti-Foreign Corruption Law*.

All of our employees, consultants, out-sourced resources or temporary workers are required to comply with the *Code of Conduct* which outlined our principles and ethical standards with respective to anti-corruption, anti-bribery and anti-unfair competition. In addition to the Code of Conduct, we have established a series of internal policies including the *Regulations on Anti-fraud* and *Regulations on Anti-Bribery* to specify the responsibility, prevention and control, reporting channels and training mechanism against unethical business conducts.

Our Audit Committee is the highest hierarchy supervises the business ethics, such as anti-fraud, anti-bribery, etc., work in our Group. We have dedicated Legal & Compliance department, Internal Audit department to be responsible for culture cultivation, monitoring and whistle-blowing case handling, investigations of fraud and bribery cases, etc.

Whistle-blowing mechanism is set up for both internal and external stakeholders, people can anonymously report misconduct or compliance related concern through the designated email. All reports will be investigated independently, and we will take corrective and preventive action accordingly. At the same time, we promise to protect the legitimate rights and interests of the whistle blowers, as well as their personal safety.

We adopted various internal activities to ensure that employees understand and comply with our ethical standards and jointly create a healthy corporate cultural environment. Business ethics training was arranged for all the new joiners in the orientation session. In 2020, we conducted the following specific integrity trainings:

- On August 10 to 11, 2020, we carried out anti-bribery, anti-fraud, and anti-money laundering trainings for all employees, to enhance their awareness of maintaining integrity and provide them with necessary guidelines.

- On October 14, 2020, we conducted Listing Rules training for all directors, including director responsibilities, anti-commercial bribery, etc., to strengthen the business behaviors of the leadership.

- On December 27 and 28, 2020, we conducted annual compliance and *Code of Conduct* trainings to all employees, to refresh and enhance the compliance requirement with new policies and guidance shared to robust the corporate governance and better our business operation.

During the Reporting Period, there was no legal case regarding corrupt practices brought against our Group or our employees.

4 ENVIRONMENTAL PROTECTION

Environmental sustainability continues to be the one of most impactful long-term risks faced by the mankind at present. Adhering to the principle of sustainable development, our Company is committed to adopt measures for environment protection and resource conservation, and strictly complies with *Environmental Protection Law of the People's Republic of China*. We have a dedicated and professional EHS team responsible for the implementation on environmental protection and continuously improve the overall EHS performance.

4.1 Energy Management and Greenhouse Gases ("GHG") Emissions

We strictly abide by the *Energy Conservation Law of the People's Republic of China*. We established specific SOPs including the *Energy Management* (《能源管理》) and the *Greenhouse Gases Management* to guide the energy management.

The energies consumed by our Group mainly include electricity, steam and diesel, which is used for emergency power generator. Besides the GHG emissions come from the energy consumption, there is a small amount of fugitive emission comes from the usage of refrigerant.

We actively advocate the green office concept and continuously enhance the awareness of our employees in energy conservation. With expectation to reduce energy consumption and GHG emission, following measures have been taken to improve our energy management performance:

Electricity Saving Sign

- ➢ Energy-saving signs posted to remind our employees to save energy in their daily work;
- ➢ Energy-saving seminars were held within the Company, where energy-saving suggestion was encouraged to be raised;
- ➢ Daily energy conservation practice is adopted within the Company:
  - — The temperature of the air conditioner is set within a reasonable range;
  - — The office electronic equipment such as computers, copiers are in a sleeping model when not in use;
  - — Use LED light bulbs and turn off the lights when not in use.

4.2 Water and Wastewater Management

The Company strictly complies the *Water Law of the People's Republic of China* and the *Law of the People's Republic of China on Prevention and Control of Water Pollution*, formulated the *Sewage treatment operation system and maintenance process* to ensure wastewater can be effectively managed and discharged in compliance.

Water saving sign

Our water is sourced from municipal water system, mainly for domestic use and production operation. In order to save water and reduce the wastewater discharge, signs are posted in public areas to enhance our employees' awareness on water saving. The water facility and equipment are regularly inspected and maintained to avoid water waste due to leakage or dripping.

For the domestic wastewater, it is discharged into the municipal sewer network in Shanghai and Suzhou. Industrial wastewater treatment stations have been established in Shanghai and Suzhou sites to ensure the wastewater are properly discharged and meet the discharge standard. The engineering department is responsible for the operation and maintenance of the wastewater treatment system. Regular testing on the discharged water are taken to ensure by compliant with the relevant national and local standards.

4.3 Waste Management

In accordance with the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and the *National Catalogue of Hazardous Wastes,* the *General Waste Disposal* and the *Hazardous Waste Disposal* are compiled to regulate the whole process of classification, collection, storage and disposal of hazardous wastes and non-hazardous wastes to avoid environmental pollution.

The main hazardous wastes are liquid and solid hazardous wastes come from our production sites and laboratories. The hazardous wastes are collected and then sent to the hazardous waste temporary storage room. Finally, the hazardous wastes are collected and disposed by the qualified third-party companies, to ensure that 100% of them can be treated properly.

The Group's non-hazardous wastes mainly includes domestic waste and general industrial solid waste, which are daily collected and processed by the environmental sanitation department. In our daily work, we encourage our employees to use double-sided office paper and recycle shredded paper so as to reduce the generation of non-hazardous waste. In response to the waste sorting requirements, we have equipped garbage cans for different waste types, shared the common knowledge of waste sorting with employees to raise their awareness on waste sorting.

During the Reporting Period, our environmental KPIs covering our factories, offices and laboratories in Shanghai and Suzhou are summarized as below; we were still in the clinical research stage, and in the process of entering into the commercialization stage, the corresponding environmental KPI data is expected to be increased in the future.

Environmental KPIs	2020
Wastewater discharge	
Wastewater discharge (tonnes)	16,351.20
Intensity of wastewater discharge (tonnes/staff)	49.40
GHG emissions[1]	
Direct GHG emission (Scope 1) (tCO_2e)	74.48
Energy indirect GHG emission (Scope 2) (tCO_2e)	5,374.29
Total GHG emission (tCO_2e)	5,448.77
GHG emission intensity (tCO_2e/m^2)	0.34
Wastes	
Total hazardous waste (in tonnes)	20.61
Hazardous waste intensity (tonnes/staff)	0.06
Total non-hazardous waste (in tonnes)	62.75
Non-hazardous waste intensity (tonnes/staff)	0.19
Energy consumption[2]	
Total direct energy consumption (MWh)	14.36
Total indirect energy consumption (MWh)	8,878.01
Total energy consumption (MWh)	8,892.37
Energy consumption intensity (MWh/m^2)	0.55
Water consumption	
Total water consumption (in tonnes)	18,168.00
Water consumption intensity (tonnes/staff)	54.89
Packaging material consumption[3]	
Total packaging material used (in kgs)	21.00

1. Direct emission includes diesel and refrigerant. Indirect emission includes electricity and steam. Direct energy includes diesel. Indirect energy includes electricity and steam. The use of refrigerants is not considered energy consumption.

   GHG emissions are presented as CO_2 equivalent. The GHG emissions from the diesel combustion, purchased electricity and steam are calculated following the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions Other Industrial Enterprises (Trial)* issued by the National Development and Reform Commission of the PRC. The GHG emission factor for purchased electricity is from *Average CO_2 Emission Factors for Regional Power Grids in China*. The GHG emission factor for the use of refrigerant is from the IPCC Fifth Assessment Report, 2014 (AR5).

2. The energy consumption is presented in MWh. The conversion factors for diesel and steam come from the default values of relevant parameters of the Guidelines for Accounting and Reporting Greenhouse Gas Emissions Other Industrial Enterprises (Trial) issued by the National Development and Reform Commission of the PRC.

3. The packaging materials used by the Group mainly include outer box and freezer tube. As the Company has not started commercial manufacturing, the packaging materials per unit produced is not applicable for us at present.

   Our Group do not have material air emissions; thus, air emissions are not disclosed in the Report.

   Considering that our business activities do not have a significant impact on the environment and natural resources, thus A3 (environment and natural resources) and KPI A3.1 (description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them) are not disclosed in the Report.

4.4 Climate Change

Globe wise, climate change to which no one is immune continues to be a catastrophic risk. Considering the business characteristics of the Company, we do not face any significant transition risks from policy, technology, market and reputation wise. However, acute physical risks such as extreme weathers may have potential risk to our business operations.

With establishment of the *Emergency Plans for Environmental Emergencies* and the *Emergency Plan for Production Safety Accidents*, we has set up an environmental emergency management system, which enable us to continuously improve the capability of preventing and handling environmental emergencies, effectively reduce environmental hazards, and protect the public health and environmental safety.

We have established the emergency council to deal with the occurrence of natural disasters. Comprehensive safety inspections on buildings, fire equipment and etc. are conducted regularly as the prevention mechanism. Necessary actions will be taken to prevent accidents from happening and safeguard the stable business operation continuity.

5 INDUSTRY AND COMMUNITY

With the Company's vision to become an innovation leader in cell immunotherapy, and the mission to bring hope to patients in China, we dedicated to innovation and practical research, strive to resolve the significant science and application issues in term of early-stage R&D, process development of manufacturing and quality management system of cell immunotherapy.

We assume the responsibility to drive and accelerate the industrialization development process of our products under research. We established policies such as *Company Donation*, *Company Sponsorship* to actively participate in industry and community programs and activities, and we keep communication with our external stakeholders, such as regulators, industrial associations, and peers, which aims to contribute to positive industrial development and community wellbeing.

5.1 Industry

To actively response to the regulator's requirement, we provided input on the development of cell therapy regulatory guidance by the NMPA's Center for Drug Evaluation ("**CDE**"), and keep regular communication with the CDE, such as providing feedback on the Drug Administration Law and the CAR-T GMP inspection guide. Our feedback and input to the CDE on these matters have typically taken the form of participation in workshops convened by the CDE, to which regulators, academics, and industry representatives have been invited. Our primary goal in providing such feedback and inputs was to promote the consistency of emerging PRC industry regulatory standards with existing international standards.

As a founding chair of the Shanghai Immune Cell Therapy Industry Alliance, we are one of the key players in building the CAR-T industry in China. We work closely with other member companies to promote the healthy and vigorous development of China's immune cell therapy industry, and aim to provide more patients with high-quality and affordable treatment.

We hosted the Innovative Bio-Future JW Therapeutic Satellite Symposium in the 2020 Chinese Conference on Oncology on November 14, 2020. At the conference, we shared the technical innovation and advantages of our CAR-T therapy.

We participated in the Advance Cell Therapy Shanghai Summit 2017 with the theme of "Celebration, Collaboration, and Contribution". In the Shanghai Immune Cell Therapy Industry Alliance ceremony, our CEO Dr. Yiping James Li, as the first president of the alliance, advocated that we are aimed to drive the industrialization and self-discipline of CAR-T development in China.

Through continuously engagement and dedication in the industrialization development, we obtained recognitions and awards in successively, such as State *Major Program of New Drug Research and Development, Key projects in biomedical field of strategic emerging industries, CDMO星耀榜 — 2019 Top 50 Innovative Bio-pharmaceutical Company in China, Shanghai Foreign Investment Research and Development Center.*

5.2 Community

We constantly dedicated in the community development focus for patients. For example, we collaborated with the Tree House Foundation under the Hopper Foundation to launch the *China Lymphoma Project*, which is aimed to provide the professionals, patients and their families with the latest research result, treatment progress and patient care information about lymphoma.

We participated in the 2019 China International Industry Fair in September 2019. We provide a scientific awareness education about CAR-T therapy and invite the patient's family member to share the feeling and unmet medical needs, which helped the participants have a better understanding of the advantage, process of CAR-T therapy, which received positive feedback.

On the other hand, we also contribute to the environmental governance as a member of the Suzhou EHS Association. We had participated in the environmental management partnership program, which is organized by the local environmental protection bureau since 2018. In this program, we collaborated with local governments and EHS experts, to help other companies in resolving environmental related problems, which promotes to build a green, circular, and low-carbon industrial ecosystem.

To the Shareholders of JW (Cayman) Therapeutics Co. Ltd
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of JW (Cayman) Therapeutics Co. Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 141 to 220, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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") 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 International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarized as follows:

- Impairment assessment of intangible assets not ready for use and construction in progress ("CIP")
- Fair value of intangible asset and consideration in the business combination of Syracuse Biopharma (Hong Kong) Limited and its subsidiaries ("Syracuse Group")

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of intangible assets not ready for use and CIP	
Refer to notes 2.11, 13 and 15 to the consolidated financial statements. The Group recorded intangible assets not ready for use and CIP including developed production system and production line of approximately RMB756,953,000 and RMB231,028,000 respectively as of 31 December 2020, which represent 26% of the Group's total assets as of that date. Impairment assessment of intangible assets not ready for use and CIP are tested on the cash generating unit ("CGU") level. CGU is determined at the product level which includes each license, allocated developed production system and allocated production line under construction. Management conducted an annual impairment assessment with the assistance of an independent external valuer and concluded no impairment charge was necessary as at 31 December 2020. Management has determined the recoverable amounts of the CGUs based on value in use calculations using the discounted cash flow model. The key assumption used in estimating the recoverable amounts of related CGUs include revenue growth rates, gross margins and discount rates. We focused on auditing the impairment assessment of intangible assets not ready for use and CIP because of the involvement of significant management's judgments and assumptions involved, which are subject to high degree of estimation uncertainty and level of subjectivity.	We performed the following procedures to address the key audit matter: (1) Obtained an understanding of the management's internal control and assessment process of impairment assessment of intangible assets not ready for use and CIP and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of subjectivity; (2) Assessed the competence, capabilities and objectivity of the independent external valuer; (3) Assessed the reasonableness of management's identification and allocation of CGUs based on our understanding of the Group's business; (4) Assessed the appropriateness of the valuation methodologies used to determine the value-in-use calculations; (5) Assessed the reasonableness of key assumptions including revenue growth rates, gross margins and discount rates applied by management, based on approved budget and observable market data of the industry; (6) Assessed management's sensitivity analysis on the key assumptions, to consider the extent to which adverse changes, would result in the intangible assets not ready for use and CIP being impaired. Based on the audit procedures performed, we found the significant management's judgments and assumptions used in the impairment assessment of intangible assets not ready for use and CIP to be supported by available evidence.

KEY AUDIT MATTERS

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value of intangible asset and consideration in the business combination of Syracuse Group	
Refer to notes 2.6 and 34 to the consolidated financial statements. On 30 June 2020, the Group acquired 100% equity interest of Syracuse Group at total consideration of RMB680,007,000 on date of acquisition, which consists of the issuance of the Company's shares at fair value of approximately RMB628,214,000 and a contingent consideration measured at fair value of approximately RMB51,793,000. The fair value of identifiable net assets acquired was approximately RMB686,023,000, which was mainly attributable to the intangible asset — licenses acquired amounted to RMB674,676,000. Management assessed the fair value of intangible asset acquired and consideration on the acquisition date with the assistance of an independent external valuer. We focused on auditing the fair value of intangible asset and consideration in the business combination of Syracuse Group because the judgments and assumptions involved in the valuation of intangible asset acquired and consideration, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the fair value of intangible asset and consideration is considered significant due to the subjectivity of significant assumptions, including revenue growth rates, gross margins and discount rates, used in the discounted cashflow model related to the acquired intangible asset and the Group respectively.	We performed the following procedures to address the key audit matter: (1) Discussed with management to understand the key terms of the purchase agreement; (2) Obtained an understanding of the management's internal control and assessment process of fair value of intangible assets and consideration in the business combination and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of subjectivity; (3) Assessed the competence, capabilities and objectivity of the independent external valuer; (4) Assessed the appropriateness of the valuation methodologies used to determine the fair values of intangible asset acquired and consideration paid or payable; (5) Assessed the reasonableness of key assumptions including revenue growth rates, gross margins and discount rate of the acquired business applied by management, based on relevant business plan and observable market data of the industry; (6) Assessed the reasonableness of key assumptions including revenue growth rates, gross margins and discount rate of the Group applied by management, based on approved budget and observable market data of the industry. Based on the procedures performed above, we found the significant management's judgements and assumptions used in assessing the fair value of intangible asset acquired and consideration in the business combination of Syracuse Group to be supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THE AUDIT COMMITTEE 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 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible 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. We report our opinion 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 ISAs 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 ISAs, we exercise professional judgment 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.

- 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.

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

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 Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue		**—**	—
Other income	6	**1,322**	5,483
Other gains/(losses) — net	7	**27,617**	(1,165)
Selling expenses	8	**(13,268)**	—
General and administrative expenses	8	**(231,294)**	(72,892)
Research and development expenses	8	**(225,215)**	(136,107)
Operating loss		**(440,838)**	(204,681)
Finance income	10	**3,441**	1,820
Finance costs	10	**(770)**	(1,351)
Finance income — net	10	**2,671**	469
Fair values loss of preferred shares	30	**(1,190,797)**	(128,781)
Fair values loss of warrants	31	**(34,839)**	(300,264)
Loss before income tax		**(1,663,803)**	(633,257)
Income tax expense	11	**—**	—
Loss for the year and attribute to the equity holders of the Company		**(1,663,803)**	(633,257)
Loss per share for the loss attributable to owners of the Company			
— Basic and diluted (in RMB)	12	**(12.61)**	(9.74)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Loss

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Loss for the year		**(1,663,803)**	(633,257)
Other comprehensive loss:			
Items that will not be reclassified to profit or loss			
— Exchange differences on translation	24	**(80,829)**	(11,324)
Other comprehensive loss for the year, net of tax		**(80,829)**	(11,324)
Total comprehensive loss for the year and attribute to the equity holders of the Company		**(1,744,632)**	(644,581)

The above consolidated statement of comprehensive loss should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**285,224**	178,932
Right-of-use assets	14	**22,636**	23,784
Intangible assets	15	**774,974**	156,947
Prepayment for license	16	**6,525**	—
Other non-current assets	17	**42,774**	47,616
		1,132,133	407,279
Current assets			
Inventories	18	**955**	—
Other current assets	20	**9,750**	—
Other receivables and prepayments	19	**2,794**	2,986
Restricted bank deposits	21	**3,262**	3,488
Cash and cash equivalents	21	**2,630,598**	254,866
		2,647,359	261,340
Total assets		**3,779,492**	668,619

Consolidated Balance Sheet

As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	**26**	4
Reserves	24	**6,078,584**	42,729
Accumulated losses		**(2,648,875)**	(985,072)
Total equity/(deficit)		**3,429,735**	(942,339)
LIABILITIES			
Non-current liabilities			
Borrowings	28	**100,000**	50,823
Lease liabilities	29	**12,712**	16,864
Preferred shares	30	**—**	1,420,454
Total non-current liabilities		**112,712**	1,488,141
Current liabilities			
Lease liabilities	29	**10,881**	10,096
Trade and other payables	27	**119,053**	93,404
Contingent consideration for business combination	34	**55,369**	—
Warrants	31	**51,742**	19,317
Total current liabilities		**237,045**	122,817
Total liabilities		**349,757**	1,610,958
Total equity and liabilities		**3,779,492**	668,619

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 141 to 220 were approved by the Board of Directors on 26 March 2021 and were signed on its behalf.

Dr. Yiping James Li
Director

Ms. Xing Gao
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Note	Attributable to equity holders of the Company			
		Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2019		4	38,610	(351,815)	(313,201)
Loss for the year		—	—	(633,257)	(633,257)
Other comprehensive loss	24	—	(11,324)	—	(11,324)
Total comprehensive loss		—	(11,324)	(633,257)	(644,581)
Transactions with owners					
Share-based compensation expenses	9	—	15,443	—	15,443
Total transactions with owners		—	15,443	—	15,443
Balance at 31 December 2019		4	42,729	(985,072)	(942,339)
Balance at 1 January 2020		**4**	**42,729**	**(985,072)**	**(942,339)**
Loss for the year		**—**	**—**	**(1,663,803)**	**(1,663,803)**
Other comprehensive loss	24	**—**	**(80,829)**	**—**	**(80,829)**
Total comprehensive loss		**4**	**(38,100)**	**(2,648,875)**	**(2,686,971)**
Transactions with owners					
Allotment of shares for Eagle	23,24	**3**	**628,211**	**—**	**628,214**
Issue of shares by converting preferred shares into ordinary share	23,24	**10**	**3,214,022**	**—**	**3,214,032**
Issue of shares by initial public offering	23,24	**8**	**2,140,201**	**—**	**2,140,209**
Issue of shares held in trust	23	**1**	**—**	**—**	**1**
Share-based compensation expenses	9	**—**	**134,250**	**—**	**134,250**
Total transactions with owners		**22**	**6,116,684**	**—**	**6,116,706**
Balance at 31 December 2020		**26**	**6,078,584**	**(2,648,875)**	**3,429,735**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows used in operating activities			
Cash used in operations	32(a)	**(264,446)**	(190,743)
Interest received		**3,441**	1,820
Net cash used in operating activities		**(261,005)**	(188,923)
Cash flows used in investing activities			
Purchases of property, plant and equipment		**(124,238)**	(101,946)
Purchases of intangible assets		**(5,972)**	(12,120)
Prepayment for license		**(7,007)**	—
Increase in restricted bank deposits		**—**	(3,488)
Cash acquired from acquisition of subsidiaries	34	**45,308**	—
Net cash used in investing activities		**(91,909)**	(117,554)
Cash flows from financing activities			
Proceeds from issuance of preferred shares	30	**709,132**	373,811
Proceeds from issues of shares and other equity securities	23	**2,140,209**	—
Payment for listing expenses		**(22,055)**	—
Payment of lease liabilities	32(d)	**(11,795)**	(5,243)
Interest paid for lease liabilities	32(d)	**(770)**	(884)
Proceeds from bank borrowings	32(d)	**49,177**	50,823
Repayments of bank borrowings	32(d)	**—**	(40,054)
Interest paid for bank borrowings		**(4,471)**	(779)
Decrease in restricted bank deposits		**—**	36,375
Net cash generated from financing activities		**2,859,427**	414,049
Net increase in cash and cash equivalents		**2,506,513**	107,572
Cash and cash equivalents at beginning of the year		**254,866**	133,663
Exchange (loss)/gain on cash and cash equivalents		**(130,781)**	13,631
Cash and cash equivalents at end of the year		**2,630,598**	254,866

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

JW (Cayman) Therapeutics Co. Ltd (the "Company") was incorporated in the Cayman Islands, with its registered office situate at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, on 6 September 2017 as an exempted company with limited liability.

The Company and its subsidiaries, hereinafter collectively referred to as the "Group" are primarily engaged in research and development ("R&D"), manufacturing, and marketing of anti-tumor drugs in the People's Republic of China (the "PRC").

The Company's shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 3 November 2020 (the "Listing").

The consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

These consolidated financial statements have been approved by the Directors on 26 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("HKCO").

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial liabilities at fair value through profit or loss, which are carried at fair value.

2.2 New standards, amendments and interpretation adopted by the Group

A number of new standards, amendments and interpretation became applicable for the current reporting period and the Group changed its accounting policies and make adjustments as a result of adopting these new standards, amendments and interpretation set out below:

- Definition of Material — amendments to IAS 1 and IAS 8
- Definition of a Business — amendments to IFRS 3
- Interest Rate Benchmark Reform — amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New standards, amendments and interpretation adopted by the Group (Continued)

- Covid-19-Related Rent Concessions — amendments to IFRS 16

The adoption of the above new standards, amendments and interpretation to existing standards do not have a material impact on the Group.

2.3 New standards and interpretations not yet adopted

The following standards, amendments, interpretation and improvements to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2021 but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, amendments, interpretation and improvements		
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform — Phase 2	January 1, 2021
Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger	January 1, 2022
Annual improvement project	Annual improvements to IFRSs 2018–2020	January 1, 2022
Amendments to IFRS 3, IAS 16 and IAS 37	Narrow-scope amendments	January 1, 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	January 1, 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to IFRS 17	Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2023
IFRS 17	Insurance contracts	January 1, 2023
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of these is expected to have a significant effect on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Contractual arrangements

Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the gene therapy business carried out by subsidiaries of the Group, namely Shanghai Ju Ming Medical Technology Co., Ltd (上海炬明醫療技術有限公司) ("Shanghai Juming") and its wholly owned subsidiaries, Shanghai Ming Ju Biotechnology Co., Ltd (上海明聚生物科技有限公司) and Suzhou Ming Ju Biotechnology Co., Ltd. (蘇州明聚生物科技有限公司) ("Shanghai Juming Group"), JW Therapeutics (Shanghai) Co., Ltd. (上海藥明巨諾生物科技有限公司) ("JW Shanghai") entered into the contractual arrangements (the "Contractual Arrangements") with Shanghai Juming and its equity holders on 2 November 2017 and 29 July 2020, which enable JW Shanghai and the Group to:

- expose, or have rights, to variable returns from their involvement with the investee and have ability to affect those returns through its power over Shanghai Juming;
- exercise equity holders' controlling voting rights of Shanghai Juming;
- receive substantially all of the economic interest returns generated by Shanghai Juming in consideration for the business support, technical and consulting services provided by Shanghai Juming;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in Shanghai Juming from its equity holders at the same amount of its registered capital, which was loaned from JW Shanghai. JW Shanghai may exercise such options at any time until it has acquired all equity interests and/or all assets of Shanghai Juming. In addition, Shanghai Juming is not allowed to sell, transfer, or dispose of any assets, or make any distributions to its equity holders without prior consent of JW Shanghai; and
- obtain a pledge over the entire equity interest of Shanghai Juming from its equity holders as collateral security to guarantee performance of their contractual obligations under the Contractual Arrangements.

The Group does not have any equity interest in Shanghai Juming Group. However, as a result of the Contractual Arrangements, the Group has power over Shanghai Juming Group, has rights to variable returns from its involvement with Shanghai Juming Group and has the ability to affect those returns through its power over Shanghai Juming Group and is considered to have control over Shanghai Juming Group. Consequently, the Company regards Shanghai Juming Group as indirect subsidiaries for accounting purpose. The Company consolidates the assets, liabilities, income and expenses of Shanghai Juming Group upon the execution of the Contractual Arrangements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.6).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

2.6 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.8 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is United States Dollars ("USD"); however, the consolidated financial statements are presented in RMB. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in consolidated statements of comprehensive loss in the period in which they arise.

Monetary assets and liabilities denominated in foreign currencies at the year end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

All foreign exchange gains and losses are presented in the consolidated statements of comprehensive loss within "Other gains/(losses) — net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rate; and

(iii) All resulting exchange differences are recognized in other comprehensive income and accumulated as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs incurred during the construction period are capitalized.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance expenses are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Machinery	5 years
Electronic equipment	5-10 years
Leasehold improvements	Over the shorter of the lease term or the estimated useful life

The assets' residual value and useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognized as "Other gains/(losses) — net" in the consolidated statements of comprehensive loss.

Construction in progress represents unfinished production line, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. Construction in progress is not depreciated but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

2.10 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purpose, being the operating segments.

(b) Software

Computer software contains research and development software and financial software, which is recognized at historical cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. The Group amortized on a straight-line basis over their estimated useful lives of 5-10 years based on the current functionalities and the daily operation needs of the software.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Intangible assets (Continued)

(c) Licenses

Intangible assets acquired separately are measured on initial recognition at cost.

Certain intangible assets are for license of intellectual properties in development, with non-refundable upfront payment, milestone payment and royalty payment. Upfront payment is capitalized when paid. The milestone payment is capitalized as intangible assets when incurred, unless the payment is for outsourced research and development work which would follow the capitalization policy in Note 2.10 (d). Royalty payment would be accrued for in line with the underlying sales and recognized as a cost of sales. However, if the intangible asset is acquired in a business combination, it is measured at fair value at initial recognition.

In-licenses with finite useful life are amortized using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production after approval of biologics license application, which is determined by certain factors of the underlying products, including the life cycles, the technology innovation, the stability of CAR-T industry and actions by the Company's competitors, etc..

(d) Research and development

The Group incurs significant costs and efforts on research and development activities, which include expenditures on drug products. Research expenditures are charged to the profit or loss as an expense in the period the expenditures are incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed drug products and all the following can be demonstrated:

(i) the technical feasibility of completing the intangible assets so that it will be available for use or sale;

(ii) the intention to complete the intangible asset and use or sell it;

(iii) the ability to use or sell the intangible assets;

(iv) the intangible asset will generate probable future economic benefits;

(v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Intangible assets (Continued)

(d) Research and development (Continued)

The cost of an internally generated intangible asset is the sum of the expenditures incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalized in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads. The Group generally considers capitalization criteria for internally generated intangible assets is met when obtaining regulatory approval of new drug license.

Capitalized development expenditures are amortized using the straight-line method over the life of the related drug products. Amortization shall begin when the asset is available for use. Subsequent to initial recognition, internally generated intangible assets are reported as cost less accumulated amortization and accumulated impairment losses (if any).

Development expenditures not satisfying the above criteria are recognized in the profit or loss as incurred and development expenditures previously recognized as an expense are not recognized as an asset in a subsequent period.

(e) Construction in progress

Construction in progress represents unfinished production system, and is stated at cost less impairment losses. Cost comprises direct purchase cost and capitalized borrowing costs, if any. Construction in progress is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

2.11 Impairment of non-financial assets

Intangible assets, right-of-use assets and property, and plant and equipment that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Goodwill and intangible assets with indefinite useful lives or not ready for use will not be amortized but tested for impairment annually either individually or at the cash-generating unit level. The impairment test would compare the recoverable amount of the cash generating unit to its carrying value. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in income using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(b) Measurement (Continued)

Debt instruments (Continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other gains/losses". Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses and impairment expenses are presented in "Other gains/(losses) — net".

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statements of comprehensive loss within "Other gains/(losses) — net", net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) — net in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.13 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

Impairment on other receivables is measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

2.15 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

Shares held for the share award scheme are disclosed as “Shares held for Share Award Scheme” and deducted from equity until the shares are vested or cancelled.

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Preferred shares

During the reporting period, the Company entered into a series of share purchase agreements with financial investors and issued convertible redeemable preferred shares.

The preferred shares issued by the Company are redeemable upon occurrence of certain future events. These instruments can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering ("IPO") of the Company as set out in Note 30.

The Group designated the preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value.

Subsequent to initial recognition, the preferred shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss.

If the Company's own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts.

2.20 Warrants

The Group issued warrants for the upfront payments to purchase license as cash-settled share-based payments. The warrants can be exercised and settled with preferred shares upon certain conditions. The fair value of the warrants for cash-settled transaction is remeasured at each reporting date and at the date of settlement. Any changes in fair value of warrants are recognized in profit or loss. Upon exercise of the warrants, the share-based payments are settled with preferred shares and accounted for as financial liabilities measured at fair value (Note 2.19).

2.21 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in consolidated statements of comprehensive loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheets date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the employee leaves.

(c) Housing funds, medical insurance and other social insurance

Employees in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contribution payable.

(d) Bonus plan

The expected cost of bonus is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Share-based payment

(a) Equity-settled share-based payment transactions

The Group operates stock options and restricted share units ("RSUs") granted to employees, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments (options and RSUs) is recognized as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

(i) including any market performance conditions;

(ii) excluding the impact of any service and non-market performance vesting conditions (for example, the requirement for employees to serve); and

(iii) including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options and RSUs that are expected to vest based on the non-market vesting performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense in full on grant date as these equity instruments granted can be vested immediately.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

(b) Share-based payment transaction among Group entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Government grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants related to costs are recognized in consolidated statements of comprehensive loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortized to consolidated statements of comprehensive loss over the estimated useful lives of the related assets using the straight-line method.

2.26 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.27 Leases and right of use assets

The Group leases various properties. Property leases are typically made for fixed periods of one to five year. Lease terms are negotiated on an individual basis and contain various different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Leases and right of use assets (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise equipment and small items of office furniture.

2.28 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors or shareholders, where applicable.

2.30 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cashflow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Company's functional currency is USD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency.

Certain bank balances and other receivables and other payables are denominated in foreign currencies of respective Group entities which are exposed to foreign currency risk. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. The Group has entities operating in USD, Hong Kong Dollar ("HKD") and RMB, and the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Most foreign exchange transactions were denominated in USD for the Group companies that have functional currency in RMB. At 31 December 2020, if the USD strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the year would have been RMB1,445,155 (2019: RMB9,296,000) lower/higher.

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. The Group does not anticipate significant impact to interest to interesting-bearing borrowings with floating interest rate.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, restricted bank deposits, other receivables included in the statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2020, cash and cash equivalents and restricted bank deposits were all deposited in high quality financial institutions without significant credit risk.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited with state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Management has assessed that during the reporting period, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The Group does not expect any losses from nonperformance by the counterparties of other receivables and no loss allowance provision for other receivables was recognized.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or adjust financing arrangements to meet the Group's liquidity requirements.

The table below analyzes the Group's non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
As at 31 December 2020					
Trade and other payables	**85,477**	**—**	**—**	**—**	**85,477**
Borrowings (including interest payables)	**4,900**	**9,819**	**104,559**	**—**	**119,278**
Lease liabilities	**11,701**	**10,516**	**2,473**	**—**	**24,690**
	102,078	**20,335**	**107,032**	**—**	**229,445**
As at 31 December 2019					
Trade and other payables	80,008	—	—	—	80,008
Borrowings (including Interest payables)	2,490	2,490	53,611	2,881	61,472
Lease liabilities	11,094	9,814	7,702	—	28,610
	93,592	12,304	61,313	2,881	170,090

3.2 Capital management

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management (Continued)

The Group monitors capital on the basis of the net debt equity ratio. This ratio is calculated as "net debt" divided by "total equity". Net debt is calculated as total borrowings, total lease liabilities and preferred shares less cash and cash equivalents and restricted bank deposits. The net debt ratio was summarized as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Borrowings	**100,000**	50,823
Lease liabilities	**23,593**	26,960
Preferred shares	**—**	1,420,454
Less: cash and cash equivalents	**(2,630,598)**	(254,866)
Less: restricted bank deposits	**(3,262)**	(3,488)
Net debts	**(2,510,267)**	1,239,883
Total equity/(deficit)	**3,429,735**	(942,339)
Net debt equity ratio	**N/A**	N/A

3.3 Fair value estimation

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, restricted bank deposits, other receivables and prepayments (excluding prepayments), borrowings and accruals and other payables) approximate their fair values.

The Group applies IFRS 13 for financial instruments that are measured in the consolidated balance sheets at fair value, which requires disclosure of fair value measurements by levels of the following fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's liabilities that are measured at fair value at 31 December 2020.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Liabilities				
Contingent consideration for business combination	**—**	**—**	**55,369**	**55,369**

The following table presents the Group's liabilities that are measured at fair value at 31 December 2019.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Liabilities				
Preferred Shares	—	—	1,420,454	1,420,454

Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments or discounted cash flow analysis.

There were no changes in valuation techniques during the year ended 31 December 2020 (2019: nil).

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2020 (2019: nil).

The changes in level 3 instruments of contingent consideration for business combination for the year ended 31 December 2020 are presented in Note 34.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Intangible assets acquired in a business combination

If an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. The fair value of an intangible asset will reflect market participants' expectations at the acquisition date about the probability that the expected future economic benefits embodied in the asset will flow to the entity. In other words, the entity expects there to be an inflow of economic benefits, even if there is uncertainty about the timing or the amount of the inflow. If an asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure reliably the fair value of the asset.

An acquirer recognizes at the acquisition date, separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognized by the acquiree before the business combination. This means that the acquirer recognizes as an asset separately from goodwill an in-process research and development project of the acquiree if the project meets the definition of an intangible asset. An acquiree's in-process research and development project meets the definition of an intangible asset when it:

(i) meets the definition of an asset; and

(ii) is identifiable, i.e., is separable or arises from contractual or other legal rights.

If an intangible asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure reliably the fair value of the asset. Determination of the fair value is an area involving management judgment in order to assess whether the carrying value of the intangible assets not ready for use can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of (i) timing of commercialization, productivity and market penetration rate; (ii) revenue growth rate; (iii) costs and operating expenses; (iv) the selection of discount rates; and (v) success rate of commercialization to reflect the risks involved.

An intangible asset acquired in a business combination might be separable, but only together with a related contract, identifiable asset or liability. In such cases, the acquirer recognizes the intangible asset separately from goodwill, but together with the related item.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(b) Impairment of property, plant and equipment

The Group assesses impairment based on its subjective judgment and determines the separate cash flows of a specific Group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

(c) Impairment testing of intangible assets not ready for use and construction in progress

Intangible assets not ready for use and construction in progress are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Group obtained in-licenses through separate acquisition or business combination to continue research and development work and commercialize the products, which are classified as intangible assets not ready for use. Construction in progress represents unfinished production line and unfinished production system.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The fair value is based on value in use calculations using the discounted cash flow model. The estimated revenue of each drug is based on the Group's expectations of timing of commercializing related products to respective drug. The cost and operating expenses are estimated by considering margins levels of the Group's business, expected revenue contribution of respective drug to the Group's total revenue and appropriate adjustments to reflect the characteristics of respective license. The discount rates used are pre-tax and reflect specific risks relating to the relevant drug that would be considered by market participants.

(d) Deferred income tax

The Group recognises deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the year ended 31 December 2020, deferred tax assets have not been recognised in respect of these accumulated tax losses and other deductible temporary differences based on the fact that there were several drug candidates of the Company and most of them were in earlier research and development stage and the future taxable profits would be uncertain.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(e) Research and development expenses

Development costs incurred on the Group's drug product pipelines are capitalized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalized requires management to make judgment regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the year ended 31 December 2020, all expenses incurred for research and development activities were regarded as research expenses and therefore were expensed when incurred.

5 SEGMENT INFORMATION

The Group's business activities are regularly reviewed and evaluated by the chief operating decision-makers.

As a result of this evaluation, the executive directors of the Group consider that the Group's operations are operated and managed as a single reportable segment. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

6 OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Government grants — cost related *(Note)*	**1,322**	5,483

Note:

The government grants and subsidies related to funding received to compensate for the Group's research and development expenses. Some of the grants received are related to future costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. When the required conditions set by the government for such grants are met, the proportion of the qualified funds is recognized as "other income" and the remaining balance is recorded as "Trade and other payables — deferred income".

7 OTHER GAINS/(LOSSES) — NET

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Net foreign exchange gain/(losses)	**28,903**	(1,086)
Bargain purchase gain *(Note 34)*	**6,016**	—
Fair value loss of contingent consideration for business combination *(Note 34)*	**(7,897)**	—
Others	**595**	(79)
Total	**27,617**	(1,165)

8 EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Employee benefit expenses (including directors' emoluments) *(Note 9)*	**259,052**	96,835
Testing and clinical expenses	**47,108**	27,818
R&D materials and consumables	**41,763**	33,180
Listing expenses	**35,564**	—
Professional service expenses	**26,726**	14,110
Depreciation of property, plant and equipment *(Note 13)*	**13,819**	9,113
Office expenses	**9,408**	7,368
Depreciation-right of use assets *(Note 14)*	**9,349**	7,945
Short term lease and low value lease expenses	**5,378**	5,064
Auditors' remuneration-audit service	**3,114**	536
— Audit service	**2,356**	358
— Non-audit service	**758**	178
Amortization of intangible assets *(Note 15)*	**422**	245
Other expenses	**18,074**	6,785
Total selling expenses, general and administrative expenses and research and development expenses	**469,777**	208,999

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**108,552**	67,463
Contributions to pension plans	**377**	4,006
Welfare and other expenses	**7,187**	4,368
Share based payment expenses *(Note 25)*	**134,250**	15,443
Other welfare for employees	**8,686**	5,555
	259,052	96,835

(a) Directors' and senior management's emoluments

Directors and chief executives' emoluments for the reporting period is set out as follows:

	Fees	Salary	Discretionary bonus	Social security costs	Share-based compensation expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020						
Chairman and executive director						
Yiping James Li	–	2,629	2,565	–	94,199	99,393
Non-executive Director						
Hans Edgar Bishop	–	–	–	–	3,207	3,207
Edward Hu *(i)*	–	–	–	–	–	–
Ge Li *(ii)*	–	–	–	–	–	–
Yang Yunxia *(iii)*	–	–	–	–	–	–
Miao Jingwen *(iv)*	–	–	–	–	–	–
Krishnan Viswanadhan *(xvi).*	–	–	–	–	–	–
Xing Gao *(v)*	–	–	–	–	–	–
Ann Li Lee *(vi).*	–	–	–	–	–	–
Jinyin Wang *(vii)*	–	–	–	–	–	–
Cheng Liu *(viii)*	–	–	–	–	–	–
Independent Director						
Yanling Cao *(ix)*	–	–	–	–	–	–
Yiu Leung Andy Cheung *(x)*	–	50	–	–	–	50
Kin Cheong Kelvin Ho *(xi)*	–	32	–	–	–	32
Chi Shing Li *(xii)*	–	50	–	–	–	50
	–	2,761	2,565	–	97,406	102,732

9 EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Directors' and senior management's emoluments (Continued)

	Fees *RMB'000*	Salary *RMB'000*	Discretionary bonus *RMB'000*	Social security costs *RMB'000*	Share-based compensation expenses *RMB'000*	Total *RMB'000*
Year ended 31 December 2019						
Chairman and executive director						
Yiping James Li	—	2,816	844	—	—	3,660
Non-executive Director						
Hans Edgar Bishop	—	—	—	—	—	—
Edward Hu *(i)*	—	—	—	—	—	—
Steven Daniel Harr *(xiii).*	—	—	—	—	—	—
Ge Li *(ii)*	—	—	—	—	—	—
Shen Ye *(xiv)*	—	—	—	—	—	—
Yang Yunxia *(iii)*	—	—	—	—	—	—
Robert Hershberg *(xv)*	—	—	—	—	—	—
Miao Jingwen *(iv)*	—	—	—	—	—	—
Krishnan Viswanadhan *(xvi)*	—	—	—	—	—	—
	—	2,816	844	—	—	3,660

(i) Mr. Edward Hu and Mr. Ge Li resigned as directors on 22 March 2020.

(ii) Ms. Yang Yunxia resigned as a director on 20 September 2020.

(iii) Ms. Miao Jingwen resigned as a director on 18 September 2020.

(iv) Ms. Xing Gao, Dr. Ann Li Lee, Mr. Jinyin Wang and Mr. Yanling Cao were appointed as directors on 22 May 2020.

(v) Dr. Cheng Liu was appointed as director on 30 June 2020.

(vi) Mr. Yiu Leung Andy Cheung, Mr. Kin Cheong Kelvin Ho and Mr. Chi Shing Li were appointed as directors on 22 October 2020.

(vii) Mr. Steven Daniel Harr resigned as a director on 15 February 2019.

(viii) Ms. Shen Ye resigned as a director on 20 November 2019.

(ix) Mr. Robert Hershberg was appointed as director on 15 February 2019 and resigned as a director on 20 November 2019.

(x) Dr. Krishnan Viswanadhan was appointed as director on 20 November 2019.

None of the directors received any emolument from the Group as an inducement to join or upon joining the Group as compensation for loss of office during the year ended 31 December 2020 (2019: nil). None of the directors waived or has agreed to waive any emoluments during the year ended 31 December 2020 (2019: nil).

9 EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2020 (2019: nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2020 (2019: nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2020, the Company did not pay consideration to any third parties for making available directors' services (2019:nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2020 (2019: nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2020 (2019: nil).

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director for the year ended 31 December 2020 (2019: one), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four individuals are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**12,483**	8,244
Social security costs	**105**	150
Share-based compensation expenses	**14,090**	8,568
	26,678	16,962

9 EMPLOYEE BENEFIT EXPENSES (Continued)

(g) Five highest paid individuals (Continued)

The emoluments to the four (2019: four) individuals fell within the following bands:

	Year ended 31 December	
	2020 no. of individuals	2019 no. of individuals
Emolument bands (in RMB)		
Less than RMB1,000,000	**—**	—
RMB1,000,001 to RMB1,500,000	**—**	2
RMB1,500,001 to RMB3,000,000	**—**	—
RMB3,000,001 to RMB4,500,000	**1**	—
RMB4,500,001 to RMB6,000,000	**1**	1
RMB6,000,001 to RMB7,500,000	**1**	—
RMB7,500,001 to RMB9,000,000	**—**	1
RMB10,500,001 to RMB12,000,000	**1**	—
	4	4

10 FINANCE INCOME — NET

	Year ended 31 December	
	2020 *RMB'000*	2019 *RMB'000*
Finance income:		
Interest income on bank deposits	**3,441**	1,820
Total finance income	**3,441**	1,820
Finance costs		
Interest expense on bank borrowings	**(4,471)**	(779)
Less: amounts capitalized in property, plant and equipment	**4,471**	312
	—	(467)
Interest expense on lease liabilities	**(770)**	(884)
Total finance costs	**(770)**	(1,351)
Finance income — net	**2,671**	469

11 INCOME TAX EXPENSE

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

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. There is no income tax in the Cayman Islands and accordingly, the operating results reported by the Company, is not subject to any income tax in the Cayman Islands.

(b) Hong Kong income tax

No provision for Hong Kong profits tax has been provided for at the rate of 16.5% as the Company has no estimated assessable profit.

(c) The PRC corporate income tax

No provision for Mainland China income tax has been provided for at a rate of 25% pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), as the Group's PRC entities have no estimated assessable profits.

The taxation of the Group's profit before taxation differs from the theoretical amount that would arise using the rates prevailing in the jurisdictions in which the Group operates as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Loss before income tax	**(1,663,803)**	(633,257)
Tax calculated at applicable tax rate of 25%	**(415,951)**	(158,314)
Effect of different tax rate	**311,391**	107,016
Expenses not deductible for taxation purposes	**32,915**	4,771
Super deduction in respect of research and development expenditures	**(40,582)**	(22,162)
Tax loss not recognized as deferred tax assets	**112,227**	68,689
Income tax expense	**—**	—

11 INCOME TAX EXPENSE (Continued)

(d) Deferred tax assets not recognized:

The Group has not recognized any deferred tax assets in respect of the following items:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Deductible losses	**983,493**	534,587

(e) Deductible losses that are not recognized as deferred tax assets will be expired as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
2021	**34,376**	34,376
2022	**64,115**	64,115
2023	**161,340**	161,340
2024	**274,756**	274,756
2025	**448,906**	—
	983,493	534,587

12 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss of the Group attribute to owners of the Company by weighted average number of ordinary shares issued during the year ended 31 December 2020.

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Loss attributable to the ordinary equity holders of the Company (RMB'000)	**(1,663,803)**	(633,257)
Weighted average number of ordinary shares in issue (in thousand) *(Note)*	**131,901**	65,000
Basic loss per share (RMB)	**(12.61)**	(9.74)

Note:

On 21 August 2020, the Company underwent a subdivision of shares whereby each issued and unissued share of par value US$0.0001 each in our Company's authorized share capital shall be subdivided into 10 shares of US$0.00001 par value each. Further details are set out in Note 23.

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the year ended 31 December 2020, the Company had one category of potential ordinary shares: the stock options granted to employees (2019: two categories of potential ordinary shares: preferred shares and the stock options granted to employees). As the Group incurred losses for the year ended 31 December 2020 and 2019, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2020 and 2019 are the same as basic loss per share.

13 PROPERTY, PLANT AND EQUIPMENT

	Machinery *RMB'000*	Electronic equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
As at 1 January 2019					
Cost	14,999	8,736	—	30,526	54,261
Accumulated depreciation	(867)	(454)	—	—	(1,321)
Net book amount	14,132	8,282	—	30,526	52,940
Year ended 31 December 2019					
Opening net book amount	14,132	8,282	—	30,526	52,940
Additions	10,379	1,963	565	122,265	135,172
Disposals	(67)	—	—	—	(67)
Transfers	5,031	—	24,206	(29,237)	—
Depreciation charges *(Note 8)*	(4,217)	(1,727)	(3,169)	—	(9,113)
Closing net book amount	25,258	8,518	21,602	123,554	178,932

	Machinery *RMB'000*	**Electronic equipment *RMB'000***	**Leasehold improvements *RMB'000***	**Construction in progress *RMB'000***	**Total *RMB'000***
As at 31 December 2019					
Cost	**30,327**	**10,699**	**24,771**	**123,554**	**189,351**
Accumulated depreciation	**(5,069)**	**(2,181)**	**(3,169)**	**—**	**(10,419)**
Net book amount	**25,258**	**8,518**	**21,602**	**123,554**	**178,932**
Year ended 31 December 2020					
Opening net book amount	**25,258**	**8,518**	**21,602**	**123,554**	**178,932**
Additions	**2,973**	**4,503**	**380**	**104,522**	**112,378**
Transfer	**10,108**	**—**	**445**	**(10,553)**	**—**
Acquisition of subsidiaries	**—**	**7,733**	**—**	**—**	**7,733**
Depreciation charges *(Note 8)*	**(5,632)**	**(3,149)**	**(5,038)**	**—**	**(13,819)**
Closing net book amount	**32,707**	**17,605**	**17,389**	**217,523**	**285,224**
As at 31 December 2020					
Cost	**43,408**	**22,935**	**25,596**	**217,523**	**309,462**
Accumulated depreciation	**(10,701)**	**(5,330)**	**(8,207)**	**—**	**(24,238)**
Net book amount	**32,707**	**17,605**	**17,389**	**217,523**	**285,224**

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Depreciation of the Group charged to profit or loss is analyzed as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
General and administrative expenses	**2,346**	2,120
Research and Development expenses	**11,473**	6,993
	13,819	9,113

(b) Capitalized borrowing cost was RMB4,471,000 during the year ended 31 December 2020 (2019: RMB312,000). The capitalization rate of borrowings was 4.90% for the year ended 31 December 2020 (2019: 4.90%).

14 RIGHT-OF-USE ASSETS

The Group leases offices for its own use. Information about leases for which the Group is a lessee is presented below:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Cost	**43,931**	35,730
Accumulated depreciation	**(21,295)**	(11,946)
Net book amount	**22,636**	23,784
Opening net book amount	**23,784**	18,162
Additions	**8,428**	13,567
Exemption on rental fee *(Note)*	**(227)**	—
Depreciation charge	**(9,349)**	(7,945)
Closing net book amount	**22,636**	23,784

Note:

Due to COVID-19, rental expenses from 1 February 2020 to 31 March 2020 for certain locations were exempted.

14 RIGHT-OF-USE ASSETS (Continued)

The consolidated statement of profit or loss and the consolidated statement of cash flows contain the following amounts relating to leases:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Depreciation charge of right-to-use assets	**(9,349)**	(7,945)
Interest expenses	**(770)**	(884)
The cash outflow for leases as operating activities	**(5,378)**	(5,064)
The cash outflow for leases as financing activities	**(11,795)**	(5,243)

15 INTANGIBLE ASSETS

	Computer software *RMB'000*	Licenses *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
As at 1 January 2019				
Cost	638	79,407	—	80,045
Accumulated amortization	(43)	—	—	(43)
Net book amount	595	79,407	—	80,002
Year ended 31 December 2019				
Opening net book amount	595	79,407	—	80,002
Additions	1,383	61,318	10,737	73,438
Amortization charges *(Note 8)*	(245)	—	—	(245)
Currency translation differences	—	3,752	—	3,752
Closing net book amount	1,733	144,477	10,737	156,947
As at 31 December 2019				
Cost	2,021	144,477	10,737	157,235
Accumulated amortization	(288)	—	—	(288)
Net book amount	1,733	144,477	10,737	156,947

15 INTANGIBLE ASSETS (Continued)

	Computer software *RMB'000*	Licenses *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Year ended 31 December 2020				
Opening net book amount	**1,733**	**144,477**	**10,737**	**156,947**
Additions	**72**	**—**	**5,900**	**5,972**
Transfer	**3,132**	**—**	**(3,132)**	**—**
Acquisition of subsidiaries *(Note 34)*	**1**	**674,676**	**—**	**674,677**
Amortization charges *(Note 8)*	**(422)**	**—**	**—**	**(422)**
Currency translation differences	**—**	**(62,200)**	**—**	**(62,200)**
Closing net book amount	**4,516**	**756,953**	**13,505**	**774,974**
As at 31 December 2020				
Cost	**5,226**	**756,953**	**13,505**	**775,684**
Accumulated amortization	**(710)**	**—**	**—**	**(710)**
Net book amount	**4,516**	**756,953**	**13,505**	**774,974**

(a) Amortization of intangible assets has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2020 *RMB'000*	2019 *RMB'000*
Administrative expenses *(Note 8)*	**403**	234
Research and development Expenses *(Note 8)*	**19**	11
	422	245

15 INTANGIBLE ASSETS (Continued)

(b) Licenses

Recognition

(i) License and Strategic Alliance Agreement

In December 2017, the Group entered into License and Strategic Alliance Agreement ("License and Strategic Alliance Agreement") with Juno Therapeutics, Inc., ("Juno") to develop and commercialize Relma-cel in Mainland China, Hong Kong and Macau. Pursuant to the terms of License and Strategic Alliance Agreement, as disclosed in Note 31, the Group made two upfront payments for acquiring Relma-cel by the issuance of Relma-cel Warrants, which can be converted into Series A1 and Series A2 preferred shares. The Group recognized a total amount of USD11,570,000 (equivalent to RMB75,601,000) as intangible assets based on the fair value. The Group also agreed to pay Juno clinical development milestone payments and royalties on net sales in Mainland China, Hong Kong and Macau.

(ii) BCMA license

In April 2019, the Group entered into License Agreement — BCMA ("BCMA License Agreement") with Juno to develop and commercialize JWCAR129 in Mainland China, Hong Kong and Macau. Pursuant to the terms of the BCMA License Agreement, as disclosed in Note 31, the Group made two upfront payments for acquiring JWCAR129 by the issuance of BCMA warrants, which can be converted into Series X preferred shares. The Group recognized a total amount of USD9,140,000 (equivalent to RMB61,318,000) as intangible assets based on the fair value. The Group also agreed to pay Juno clinical development milestone payments and royalties on net sales in Mainland China, Hong Kong and Macau.

The Company has engaged an independent valuer to determine the fair value of each license. The discounted cash flow method was used to determine the value. Key assumptions are listed below:

JWCAR 129:

	April 2019
Gross margin	72.6%~75.9%
Revenue growth rate	3.5%~135.9%
Discount rate	23%

15 INTANGIBLE ASSETS (Continued)

(b) Licenses (Continued)

Recognition (Continued)

(iii) Eureka licenses

Licenses acquired in a business combination (Note 34) are recognized at fair value at the acquisition date ("Eureka Licenses"), which includes certain licenses under development and commercialization in Mainland China, Hong Kong, Macau, Taiwan and the member countries of Association of South East Asia Nation. The Group recognized a total amount of USD95,300,000 (equivalent to RMB674,676,000) as intangible assets based on the fair value.

The Company has engaged an independent valuer to determine the fair value of the licenses.The discounted cash flow method was used to determine the value.Key assumptions are listed below:

	June 2020
Gross margin	**79.1%~81.4%**
Revenue growth rate	**3.1%~229.4%**
Discount rate	**24%**

Impairment

Impairment test of intangible assets not ready for use and construction in progress ("CIP") are tested on the cash generating unit ("CGU") level, which is at product level and includes licenses of RMB756,953,000 and CIP of RMB231,028,000 respectively. Of which, CIP includes CIP in property, plant and equipment of RMB217,523,000 (Note 13) and CIP in intangible assets of RMB13,505,000.

The impairment test was performed for each CGU by engaging an independent valuer to estimate the value in use as the recoverable amount of each drug. The fair value is based on value in use calculations using the discounted cash flow model. The estimated revenue of each drug is based on management's expectations of timing of commercializing related products to respective drug. The cost and operating expenses are estimated by considering margins levels of the Group's business, expected revenue contribution of respective drug to the Group's total revenue and appropriate adjustments to reflect the characteristics of respective license. The discount rates used are pre-tax and reflect specific risks relating to the relevant drug that would be considered by market participants.

The key assumption used for recoverable amount calculation is as followed:

15 INTANGIBLE ASSETS (Continued)

(b) Licenses (Continued)

Relma-cel:

	As at 31 December	
	2020	2019
Gross margin	**43.1%~75.8%**	49.4%~75.8%
Pre-tax discount rate	**24.4%**	25%
Revenue growth rate	**0.5%~851.7%**	0.5%~383.7%
Recoverable amount of CGU (in RMB million)	**1,123**	770
Carrying amount of CGU (in RMB million)	**278**	198

JWCAR 129:

	As at 31 December	
	2020	2019
Gross margin	**72.6%~75.9%**	72.6%~75.9%
Pre-tax discount rate	**23.9%**	25%
Revenue growth rate	**3.5%~135.9%**	3.5%~135.9%
Recoverable amount of CGU (in RMB million)	**156**	112
Carrying amount of CGU (in RMB million)	**88**	81

Eureka licenses:

	As at 31 December
	2020
Gross margin	**79.1%~81.2%**
Pre-tax discount rate	**24.7%**
Revenue growth rate	**3.1%~229.4%**
Recoverable amount of CGU (in RMB million)	**726**
Carrying amount of CGU (in RMB million)	**622**

Based on the result of above assessment, these was no impairment for the intangible asset during the year ended 31 December 2020 (2019: nil)

15 INTANGIBLE ASSETS (Continued)

(b) Licenses (Continued)

Impairment test-sensitivity

The Company performed sensitivity test by increasing 1% of pre-tax discount rate or decreasing 1% of revenue growth rate, which are the key assumptions determine the recoverable amount of each intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

Relma-cel:

	As at 31 December	
	2020	2019
	(in RMB million)	*(in RMB million)*
Headroom	**845**	572
Impact by increasing pre-tax discount rate	**(109)**	(90)
Impact by decreasing revenue growth rate	**(43)**	(81)

JWCAR 129:

	As at 31 December	
	2020	2019
Headroom	**68**	31
Impact by increasing pre-tax discount rate	**(16)**	(16)
Impact by decreasing revenue growth rate	**(4)**	(9)

Eureka licenses:

	As at 31 December
	2020
Headroom	**104**
Impact by increasing pre-tax discount rate	**(99)**
Impact by decreasing revenue growth rate	**(17)**

Considering there was still sufficient headroom based on the assessment, management believes that a reasonably possible change in any of the key assumptions on which management has based its determination of each CGU's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

16 PREPAYMENT FOR LICENSE

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Prepayment for license *(Note)*	**6,525**	—

Note:

In January 2020, the Company entered into an Option and License Agreement with Acepodia Biotechnologies, Ltd. ("Acepodia"), pursuant to which, the Company was granted an exclusive option to acquire an exclusive right and license to manufacture, develop, use, sell, offer for sale, import and otherwise commercialize certain products. On 3 February 2020, the Company paid first instalment of USD1,000,000 (equivalent to RMB7,080,000) to Acepodia.

17 OTHER NON-CURRENT ASSETS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Value-added tax recoverable	**37,097**	25,059
Rental deposits	**3,452**	2,574
Prepayments for property, plant and equipment	**1,245**	19,003
Others	**980**	980
	42,774	47,616

18 INVENTORIES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Raw materials	**955**	—

19 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Prepayments to suppliers	**1,928**	2,899
Deposits	**863**	87
Others	**3**	—
Total	**2,794**	2,986

The carrying amounts of the Group's other receivables and prepayments are denominated in following currencies.

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
RMB	**2,761**	2,986
USD	**33**	—
Total	**2,794**	2,986

None of the above assets is past due or impaired. The financial assets included in the above balances related to deposits for which there was no history of default and the expected credit losses are considered minimal.

The carrying amounts of the Group's other receivables approximate their fair values.

The amounts are non-traded, unsecured, interest-free and repayable on demand.

20 OTHER CURRENT ASSETS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Value-added tax recoverable	**9,750**	—

21 CASH AND CASH EQUIVALENTS

(a) Restricted bank deposits

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Restricted cash deposit for hedging arrangement *(Note)*	**3,262**	3,488

Note:

The Group had placed USD500,000 cash deposits with a bank for hedging arrangement. As at 31 December 2020, no hedging had been arranged (2019: nil).

(b) Cash and cash equivalents

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Cash at banks		
— RMB	**47,312**	66,347
— USD	**2,250,668**	188,519
— HKD	**332,617**	—
Cash at hand		
— RMB	**1**	—
Total	**2,630,598**	254,866

The carrying amount of bank deposits approximates their fair value.

22 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Financial assets at amortized costs:		
— Deposit	**4,315**	2,661
— Restricted cash	**3,262**	3,488
— Cash and cash equivalents	**2,630,598**	254,866
Total	**2,638,175**	261,015

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Liabilities		
Financial liabilities at fair value:		
— Contingent consideration for business combination	**55,369**	—
— Preferred shares	**—**	1,420,454
Financial liabilities at amortized costs:		
— Trade and other payables	**85,478**	80,008
— Borrowings	**100,000**	50,823
Lease liabilities — current	**10,881**	10,096
Lease liabilities — non-current	**12,712**	16,864
Total	**264,440**	1,578,245

23 SHARE CAPITAL

Authorized:

	Number of shares	Nominal value of shares	RMB equivalent value
	In thousands	*USD*	*RMB'000*
As at 31 December 2019 and 2020	500,000	50,000	332

Issued and fully paid:

	Number of shares	Nominal value of shares	RMB equivalent value
	In thousands	*USD*	*RMB'000*
As at 31 December 2019	6,500	650	4
Allotment of shares *(Note (a))*	4,631	463	3
Subdivision of shares *(Note (b))*	100,183	—	—
Issue of shares held in trust *(Note (c))*	10,834	108	1
Issue of shares by converting preferred shares into ordinary share *(Note (d))*	156,336	1,563	10
Issue of shares by initial public Offering *(Note (e))*	109,422	1,094	8
As at 31 December 2020	387,906	3,878	26

Note (a):

On 30 June 2020, the Company issued 4,631,374 ordinary shares to Syracuse Biopharma (Cayman) Ltd., ("Syracuse Cayman") with fair value of USD19.16 each as consideration for the acquisition of Syracuse Biopharma (Hong Kong) Limited ("Syracuse HK") and its subsidiaries ("Syracuse Group") (Note 34). On 1 July 2020, 293,283 ordinary shares were transferred from Syracuse Cayman to Be Angels LLC.

23 SHARE CAPITAL (Continued)

Issued and fully paid: (Continued)

Note (b):

On 21 August 2020, the Company underwent a subdivision of shares whereby each issued and unissued share of par value US$0.0001 each in our Company's authorized share capital shall be subdivided into 10 shares of US$0.00001 par value each, such that immediately following such share subdivision, our Company's authorized share capital shall be US$50,000 divided into (a) 4,838,998,090 Shares of par value US$0.00001 each; (b) 38,518,530 Series A1 Preferred Shares of par value US$0.00001 each; (c) 64,271,700 Series A2 Preferred Shares of par value US$0.00001 each; (d) 9,331,060 Series X Preferred Shares of par value US$0.00001 each and (e) 48,880,620 Series B Preferred Shares of par value US$0.00001 each. The number of our Company's issued share capital was 111,313,740 after the subdivision.

Note (c):

On October 15, 2020, the Company issued 10,834,109 ordinary shares to Computershare Hong Kong Trustee Limited ("Computershare Trustee") to act as the trustee to administer the IPO restricted share unit scheme and to hold the ordinary shares under the IPO restricted share unit scheme. The Shares of the Company held in Computershare Trustee are accounted as" Reserve-Treasury shares held in trust".

Note (d):

All preferred shares were converted into 156,336,380 ordinary shares at HK$23.8 per share upon the Company's listing on 3 November 2020. The principle amount of these preferred shares and the cumulative changes in fair value are capitalized as "Reserve-Share premium" accordingly.

Note (e):

In connection with the Company's listing and over-allotment, 97,692,000 and 11,729,500 ordinary shares of the Company at US$0.00001 par value each were issued at HK$23.8 per share for a total cash consideration of HK$2,325,069,600 and HK$279,162,100 (equivalent to RMB1,922,774,900 and RMB226,813,296, on 3 November, 2020 and 2 December, 2020, respectively). The Group received a total amount RMB2,140,209,000 for proceeds after net of underwriting commissions and other issurance cost. Of which, RMB8,000 was recorded as "share capital" and RMB2,140,201,000 was recorded as "Reserve-Share premium".

24 RESERVES

	Share premium *RMB'000 Note (a)*	Share-based compensation reserve *RMB'000 Note (b)*	Treasury shares held in trust *RMB'000 Note (23(c))*	Foreign currency translation *RMB'000 Note (c)*	Capital reserve *RMB'000 Note (d)*	Total *RMB'000*
Balance at 1 January 2019	40,615	—	—	(14,230)	12,225	38,610
Share based compensation expenses *(Note 9)*	—	15,443	—	—	—	15,443
Currency translation differences	—	—	—	(11,324)	—	(11,324)
Balance at 31 December 2019	40,615	15,443	—	(25,554)	12,225	42,729
Balance at 1 January 2020	**40,615**	**15,443**	**—**	**(25,554)**	**12,225**	**42,729**
Share based compensation expenses *(Note 9)*	**—**	**134,250**	**—**	**—**	**—**	**134,250**
Currency translation differences	**—**	**—**	**—**	**(80,829)**	**—**	**(80,829)**
Allotment of shares *(Note 23(a))*	**628,211**	**—**	**—**	**—**	**—**	**628,211**
Issue of shares held in trust *(Note 23(c))*	**—**	**—**	**(1)**	**—**	**1**	**—**
Issue of shares by initial public offering *(Note 23(e))*	**2,140,201**	**—**	**—**	**—**	**—**	**2,140,201**
Issue of shares by converting preferred shares into ordinary share *(Note 23(d))*	**3,214,022**	**—**	**—**	**—**	**—**	**3,214,022**
Balance at 31 December 2020	**6,023,049**	**149,693**	**(1)**	**(106,383)**	**12,226**	**6,078,584**

Notes:

(a) Share premium arose from the issurance of the Company in excess of their par value.

(b) Share-based compensation reserve arises from share-based payment granted to employees of the Group.

(c) Foreign currency translation represents the difference arising from the translation of financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Group.

(d) Capital reserve represents the difference of aggregate consideration paid by the Group and the aggregate capital of the subsidiaries acquired before the year ended 31 December 2020.

25 SHARE-BASED PAYMENTS

(a) Stock option and restricted share unit of the Company

Pursuant to a resolution dated 4 September 2019, the Company adopted a 2019 Stock Option Scheme ("stock option") and a 2019 restricted share scheme ("RSU") (together, "2019 Plan").The Company granted 346,945 stock options and 685,242 RSUs to certain directors and senior management of the Group, as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries. In addition, the Company granted 39,685 stock options to two consultants, as reward of their past services.

Pursuant to a resolution dated 30 June 2020, the Company adopted a 2020 June Stock Option and a 2020 June RSU (together, "2020 June Plan"). The Company granted 248,441 stock options and 1,371,925 RSUs to certain directors, senior management and employees of the Group as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries. In addition, the Company granted 96,662 RSUs to three consultants, as reward of their past services.

On 21 August 2020, the Company underwent a subdivision of shares whereby each issued and unissued share of par value US$0.0001 each in our Company's authorized share capital shall be subdivided into 10 shares of US$0.00001 par value each. Further details are set out in Note 23.

Pursuant to a resolution dated 10 September 2020, the Company adopted 2020 September Stock Option and 2020 September RSU (together, "2020 September Plan"). The Company granted 3,529,840 stock options and 1,078,170 RSUs to certain directors, senior management and employees of the Group as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries. In addition, the Company granted 808,480 RSUs to two consultants, as reward of their past services.

Pursuant to the 2019 Plan and 2020 June Plan, certain directors and senior managements' stock options and RSUs were vested on the grant date to compensate for their past services before the date of grant.

There are two types of vesting schedules for the remaining 2019 Plan, 2020 June Plan and 2020 September Plan: (i) with 30% will vest on the second anniversary of the vesting commencement date and the remaining 30% and 40% will vest on the third anniversary and fourth anniversary of the vesting commencement date, respectively; and (ii) with 25% will vest on each anniversary of the vesting commencement date, respectively.

25 SHARE-BASED PAYMENTS (Continued)

(a) Stock option and restricted share unit of the Company (Continued)

The following table summarizes the Group's stock option activities:

	Year ended 31 December			
	2020		2019	
	Weighted average exercise price (in USD)	Number of stock options	Weighted average exercise price (in USD)	Number of stock options
As at beginning of year	**1.57**	**386,630**	—	—
Granted from 2019 Plan	**—**	**—**	1.57	386,630
Granted from 2020 June Plan	**0.001**	**248,441**	—	—
Subdivision of shares *(Note 23)*	**0.0956**	**5,715,639**	—	—
Granted from 2020 September Plan	**0.00001**	**3,529,840**	—	—
Forfeited	**0.06**	**(856,630)**	—	—
As at end of year	**0.06**	**9,023,920**	1.57	386,630
Vested at end of year	**0.10**	**1,020,215**	1.00	45,602

The following table summarizes the Group's restricted shares activities:

	Year ended 31 December	
	2020	2019
	Numbers of shares	Numbers of shares
As at beginning of year	**685,242**	—
Granted from 2019 Plan	**—**	685,242
Granted from 2020 June Plan	**1,468,587**	—
Subdivision of shares *(Note 23)*	**19,384,461**	—
Granted from 2020 September Plan	**1,886,650**	—
Forfeited	**(1,456,520)**	—
As at end of year	**21,968,420**	685,242
Vested at end of year	**6,249,830**	131,549

25 SHARE-BASED PAYMENTS (Continued)

(b) Fair value of stock option and RSU granted of the Company

Fair value of RSU is measured based on the fair value of the Group's ordinary shares, which is USD7.26 for 2019 Plan (before subdivision), USD19.16 for 2020 June Plan (before subdivision) and USD2.43 for 2020 September Plan (after subdivision). The fair value of ordinary shares is determined by discounted cash flow method. The key assumption for discounted cash flow model is the discount rate, which is 18% for 2019 Plan, 17% for 2020 June Plan and 16.5% for 2020 September Plan.

Based on fair value of the underlying ordinary shares, the Group has used Binomial option-pricing model to determine the fair value of the stock option as of the grant date. Key assumptions are set as below:

	2020 September Plan (after subdivision)	2020 June Plan (before subdivision)	2019 Plan (before subdivision)
Risk-free interest rate	0.69%	0.66%	1.47%
Volatility	45%	47%	47%
Grant date option fair value per share	USD2.43	USD19.16	USD3.32~USD6.31
Exercise price	USD0.00001	USD0.001	USD1, USD6.55

(c) Stock option of Syracuse Cayman

Pursuant to a resolution dated 27 March 2020 of Syracuse Cayman, Syracuse Cayman adopted a stock option scheme (the "Syracuse 2020 Plan"), which allows Syracuse Cayman to grant share options to employees of the Syracuse Group to subscribe for an aggregate of 3,375,000 ordinary shares of Syracuse Cayman.

Under the Syracuse 2020 Plan, one senior management's options were immediately vested on the grant date to compensate for his past service. For the remaining options, 25% shall vest on the first anniversary of the vesting commencement date and 75% shall vest on 16 June 2021. Within the exercise period of the share options, and subject to the fulfilment of the vesting conditions and the exercise arrangement of the share options, grant of each share option entitles the grantee to subscribe for one share of Syracuse Cayman at relevant exercise price.

25 SHARE-BASED PAYMENTS (Continued)

(c) Stock option of Syracuse Cayman (Continued)

Movements of the share options granted by Syracuse Cayman to the employees of the Syracuse Group for the year ended 31 December 2020 are set out below:

	Year ended 31 December			
	2020		2019	
	Weighted average exercise price (in RMB)	**Number of stock options**	Weighted average exercise price (in RMB)	Number of stock options
As at beginning of year	**—**	**—**	—	—
Granted from Syracuse 2020 Plan	**0.40**	**3,375,000**	—	—
As at end of year	**0.40**	**3,375,000**	—	—
Vested at end of year	**0.40**	**787,00**	—	—

(d) Fair value of stock option of Syracuse Cayman

Syracuse Cayman has used the discounted cash flow method to determine the underlying equity fair value of Syracuse Cayman and adopted discounted cash flow model to determine the fair value of the underlying ordinary shares. Key assumptions, such as discount rate and projections of future performance, are determined by Syracuse Cayman with best estimate.

Based on fair value of the underlying ordinary shares, Syracuse Cayman has used Black-Scholes model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

	Share Options
Risk-Free Rate	0.5%
Volatility	75.0%
Black Scholes Option Value	RMB0.26
Exercise price	RMB0.40

25 SHARE-BASED PAYMENTS (Continued)

(e) Expenses arising from share-based payment transactions

On 30 June 2020, the Group acquired 100% equity interest of Syracuse Biopharma (Hong Kong) Limited ("Syracuse HK") and its subsidiaries ("Syracuse Group") from Syracuse Biopharma (Cayman) Ltd., ("Syracuse Cayman"). Expenses arising from stock option of Syracuse Cayman related to Syracuse Group was consolidated into the Group since the acquisition date.

Expenses for the share-based payments have been charged to the consolidated statements of profit or loss as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Administrative expenses	**108,497**	4,642
Research and development expenses	**22,790**	10,801
Selling expenses	**2,963**	—
Total	**134,250**	15,443

26 DIVIDEND

No dividend has been paid or declared by the Company or the companies now comprising the Group during the year ended 31 December 2020 (2019: nil).

27 TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Trade payables	**902**	—
Accrued expenses	**28,892**	17,002
Staff salaries and welfare payables	**24,904**	12,009
Payables for purchase of R&D materials	**23,475**	7,701
Payables for purchase of property, plant and equipment	**16,557**	55,305
Listing expenses	**15,651**	—
Deferred income	**6,791**	1,056
Payroll tax	**1,881**	331
Total	**119,053**	93,404

The aging of trade payables based on the demand note are as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Less than 1 year	**902**	—

The carrying amounts of trade and other payables (excluding accrued expenses) of the Group are denominated in the following currencies:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
RMB	**67,602**	73,797
USD	**22,559**	2,605
	90,161	76,402

28 BORROWINGS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Total non-current unsecured bank borrowings	**100,000**	50,823

For the year ended 31 December 2020, the Group's borrowings were repayable as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**—**	—
Between 1 and 2 year	**5,000**	—
Between 2 and 3 year	**12,000**	5,000
Between 3 and 4 year	**31,000**	12,000
Between 4 and 5 year	**52,000**	31,000
Between 5 and 6 year	**—**	2,823
	100,000	50,823

The weighted average effective interest rates at each balance sheet date were as follows:

	As at 31 December	
	2020	2019
Bank borrowings — RMB	**4.90%**	4.78%

The fair values of borrowings equal to their carrying amounts as the discounting impact is not significant.

As at 31 December 2020, the Group has no unutilized bank facility (2019: RMB49,177,000).

29 LEASE LIABILITIES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Minimum lease payments due		
— Within 1 year	**11,701**	11,094
— Between 1 and 2 year	**10,516**	9,814
— Between 2 and 5 year	**2,473**	7,702
	24,690	28,610
Less: future finance charges	**(1,097)**	(1,650)
Present value of lease liabilities	**23,593**	26,960
Less: Current portion		
Lease liabilities	**(10,881)**	(10,096)
Non-current portion of lease liabilities	**12,712**	16,864

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
— Within 1 year	**10,881**	10,096
— Between 1 and 2 year	**10,295**	9,285
— Between 2 and 5 year	**2,417**	7,579
Present value of lease liabilities	**23,593**	26,960

The Group leases properties and lease liabilities were measured at net present value of the lease payments to be paid during the lease terms.

Lease liabilities were discounted at incremental borrowings rates of the Group.

For the total cash outflows for leases including payments of lease liabilities and payments of interest expenses on leases are disclosed in Note 14.

30 PREFERRED SHARES

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Preferred shares	—	1,420,454

The key terms of these financial instruments are summarized as follows:

Series A1 Preferred shares

In 2018, the Company issued 3,209,878 shares of Series A1 Preferred Shares at cash consideration of USD44,444,444 (equivalent to RMB281,706,000) and issued 641,975 shares of Series A1 Preferred Shares as the execution of Relma-cel warrant for Series A1 to Juno.

Series A2 Preferred shares

In 2019, the Company issued 3,110,345 shares of Series A2 preferred shares at cash consideration of USD55,555,556 (equivalent to RMB373,811,000) and issued 3,316,825 shares of Series A2 preferred shares as the execution of Relma-cel warrant for Series A2 to Juno (Note 31).

Series X Preferred shares

In 2019, the Company issued 466,553 shares of Series X preferred shares as the execution of the first BCMA warrant to Juno (Note 31).

Series B Preferred shares

The company issued 4,888,062 shares of Series B preferred shares at cash consideration of USD100,000,000 (equivalent to RMB709,132,000) in May 2020.

On 21 August 2020, the Company underwent a subdivision of shares whereby each issued and unissued share of par value US$0.0001 each in our Company's authorized share capital shall be subdivided into 10 shares of US$0.00001 par value each. Further details are set out in Note 23.

Terms of Preferred shares

(a) Conversion right of the Preferred Shares

Each Preferred Share may, at the option of the holders, be converted at any time after the original issue date into fully-paid and non-assessable ordinary shares at an initial conversion ratio of 1:1 subject to (i) Adjustment for Share Splits and Combinations (ii) Adjustment for Ordinary Share Dividends and Distributions (iii) Adjustments for Reorganizations, Mergers, Consolidations, Reclassifications, Exchanges, Substitutions (iv) Adjustments to Conversion Price for Dilutive Issuance (v) Other Dilutive Events.

In addition, each Preferred Share shall automatically be converted, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares based on the then-effective applicable conversion price upon the closing of a Qualified IPO.

30 PREFERRED SHARES (Continued)

Terms of Preferred shares (Continued)

(b) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily, the preferred shareholders shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares. After distributing or paying in full the liquidation preference amount to all of the preferred shareholders, the remaining assets of the Company available for distribution to members, if any, shall be distributed to the holders of ordinary shares.

(c) Redemption right

The holders of Preferred Shares have the right to require the Company to redeem the Preferred Shares when the following events happen:

(i) if the Company has not achieved a Qualified IPO on or prior to 23 February 2026, or

(ii) in the event of any early termination of the First License Agreement arising from any material breach of the First License Agreement by the Company prior to 23 February 2021.

In respect of each such Redeeming Preferred Share, the Redemption Price equal to the sum of (i) Issue Price plus interest at a simple annual interest rate of six percent (6%), and (ii) any declared but unpaid dividends on such Share, with each Redemption Price to be paid by the Company.

The aforementioned series of Preferred Shares are classified as liabilities as the Company does not have the unconditional right to avoid delivery cash or another financial asset. In addition, the Preferred Shares are designated at fair value through profit or loss and initially recognized at fair value.

If the Company's own credit risk results in fair value changes in financial labilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts. During the year ended 31 December 2019 and 2020, the fair value change due to the company's own credit risk has been immaterial.

30 PREFERRED SHARES (Continued)

Terms of Preferred shares (Continued)

Movements of preferred shares for the year ended 31 December 2019 and 2020 are set out below:

	RMB'000
At 1 January 2019	413,195
Issuance for cash	373,811
Execution of Relma-cel warrant for Series A2 and the first BCMA warrant *(Note 31)*	470,990
Change in fair value	128,781
Currency translation difference	33,677
At 31 December 2019	1,420,454
At 1 January 2020	**1,420,454**
Issuance for cash	**709,132**
Change in fair value	**1,190,797**
Conversion of redeemable convertible preferred shares into ordinary shares	**(3,214,032)**
Currency translation difference	**(106,351)**
At 31 December 2020	**—**

The Company has engaged an independent valuer to determine the fair value of Preferred Shares as at 31 December 2019. The discounted cash flow method was used to determine the total equity value of the Group and then equity allocation model was adopted to determine the fair value of the Preferred Shares as of the dates of issuance. Key valuation assumptions used to determine the fair value of preferred shares are as follows:

	As at 31 December 2019
Discount rate	17.5%
Risk-free interest rate	1.59%
Volatility	48%
IPO Possibility	20%

All preferred shares were automatically converted into 156,336,380 ordinary shares at HK$23.8 on 3 November 2020 upon the Company's listing on the Main board of The Stock Exchange of Hong Kong Limited.

31 WARRANTS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Warrants	**51,742**	19,317

In connection with the BCMA License Agreement (Note 15), two warrants were issued to the related preferred shareholder — Juno ("BCMA Warrants"), which the Company will issue preferred shares at two aggregate value of USD10,000,000 each for Series X.

The Group recognized BCMA Warrants as a cash-settled share-based payments based on the fair value of JWCAR129 at the grant date, which is recorded in "Warrants" in the consolidated balance sheet. The initial fair value of USD8,545,000 (equivalent to RMB57,327,000) for the first BCMA warrant and USD595,000 (equivalent to RMB3,991,000) for the second BCMA warrant at the grant date is recorded immediately as cash-settled share-based payments and classified as liabilities. The warrants were remeasured at each reporting date and at the date of settlement with changes in fair value recorded in profit or loss.

In November 2019, Juno exercised the first BCMA Warrant, and the Company issued 466,553 Series X preferred shares at a price of USD21.43 per share for a total amount of USD10,000,000 (equivalent to RMB70,118,000). Besides, In May 2019, Juno exercised the Relma-cel Warrant for Series A2, which was in connection with the License and Strategic Alliance Agreement (Note 15), and the Company issued 3,316,825 Series A2 preferred shares at a price of USD17.86 per share (before subdivision) for a total amount of USD59,243,597 (equivalent to RMB400,872,000).

The second BCMA Warrant has not yet been exercised.

31 WARRANTS (Continued)

Movements of warrants for the year ended 31 December 2019 and 2020 are set out below:

	RMB'000
At 1 January 2019	133,695
Issuance of warrant of BCMA warrants	61,318
Exercise of Relma-cel warrant for Series A2 and the first BCMA warrant (Note 30)	(470,990)
Change in fair value	300,264
Currency translation difference	(4,970)
At 31 December 2019	19,317
At 1 January 2020	**19,317**
Change in fair value	**34,839**
Currency translation difference	**(2,414)**
At 31 December 2020	**51,742**

The warrants are not traded in an active securities market, as such, with the assistance from an independent valuer, the fair value of warrants using discounted cash flow method to determine the underlying equity fair value of the Group as at 31 December 2019. Key assumptions at the issuance are set as below:

Relma-cel Warrants:

	As at 31 December 2019
Time to maturity	2.28 year
Discount rate	17.5%
Risk-free interest rate	3.0%

The fair value of warrant as at 31 December 2020 was determined by the stock price of the Group's oridinary shares listed on the HKEx and the possibility of successful issurance by Juno, with assessment from an independent valuer.

32 CASH FLOW INFORMATION

(a) Reconciliation of loss before income tax to cash used in operation

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Loss before income tax	**(1,663,803)**	(633,257)
Adjustments for		
— Depreciation *(Notes 13 and 14)*	**23,168**	17,058
— Amortization *(Note 15)*	**422**	245
— Share-based compensation expenses *(Note 25)*	**134,250**	15,443
— Finance income — net *(Note 10)*	**(2,671)**	(469)
— Other gain-bargain purchase gain	**(6,016)**	—
— Fair value change on preferred shares *(Note 30)*	**1,190,797**	128,781
— Fair value change on warrants *(Note 31)*	**34,839**	300,264
— Fair value change on contingent liabilities *(Note 34)*	**7,897**	—
— Disposal loss of property plant and equipment	**—**	67
	(281,117)	(171,868)
Changes in working capital:		
— Decrease/(increase) in prepayments and other receivable	**23,407**	(1,710)
— Increase in other assets	**(22,338)**	(16,436)
— Increase/(decrease) in accruals and other payable	**15,602**	(729)
Cash used in operations	**(264,446)**	(190,743)

(b) In consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Net book amount	**—**	67
Losses on disposal of property plant and equipment	**—**	(67)
Proceeds from the disposal	**—**	—

32 CASH FLOW INFORMATION (Continued)

(c) Major non-cash transactions

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Issuance of ordinary shares	**628,214**	—
Issuance of warrants	**—**	61,318
Exercise of warrants	**—**	(470,990)
Issuance of preferred shares	**—**	470,990
Conversion of redeemable convertible preferred shares into ordinary shares	**3,214,032**	—

(d) Changes in liabilities from financing activities

	Lease Liabilities	Borrowings	Preferred shares
	RMB'000	*RMB'000*	*RMB'000*
1 January 2019	18,636	40,054	413,195
Cash flows	(5,243)	10,769	373,811
Interest expenses	(884)	—	—
Impact of changes in foreign exchange rate	—	—	33,677
Changes in fair value	—	—	128,781
Other non-cash movement	14,451	—	470,990
At 31 December 2019	26,960	50,823	1,420,454

	Lease Liabilities	**Borrowings**	**Preferred shares**
	RMB'000	***RMB'000***	***RMB'000***
1 January 2020	**26,960**	**50,823**	**1,420,454**
Cash flows	**(3,367)**	**49,177**	**709,132**
Interest expenses	**(770)**	**—**	**—**
Impact of changes in foreign exchange rate	**—**	**—**	**(106,351)**
Changes in fair value	**—**	**—**	**1,190,797**
Other non-cash movement	**770**	**—**	**(3,214,032)**
At 31 December 2020	**23,593**	**100,000**	**—**

33 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for by the Group at the balance sheet date but not yet incurred is as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Intangible assets	**17,674**	1,231
Property, plant and equipment	**1,089**	1,095
	18,763	2,326

(b) Operating lease commitments — where the Group is the lessee

At the balance sheet dates, lease commitments of the Group for leases not yet commenced for short-term lease and low-value lease are as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
No later than 1 year	**1,994**	361
Later than 1 year and no later than 2 year	**190**	8
Later than 2 year and no later than 5 year	**41**	14
	2,225	383

34 BUSINESS COMBINATION

On 30 June 2020, the Group acquired 100% equity interest of Syracuse Biopharma (Hong Kong) Limited ("Syracuse HK") and its subsidiaries ("Syracuse Group") from Syracuse Biopharma (Cayman) Ltd., ("Syracuse Cayman"), which is engaged in research and development ("R&D"), manufacturing, and marketing of anti-tumor drugs. As part of the acquisition, the Group also entered into a License Agreement ("Eureka License Agreement") with Eureka Therapeutics Inc., Eureka Therapeutics (Cayman), Inc. and Syracuse Cayman. The total consideration for the acquisition including Eureka License Agreement is USD96,053,000 (equivalent to RMB680,007,000), which consists of 4,631,374 shares (before subdivision) issued by the Company and contingent consideration to be settled by ordinary shares within 12 months after acquisition date. The fair value of the ordinary shares issued as the consideration was based on the share price on 30 June 2020 of USD19.16 per share (before subdivision) valued by an independent valuer. Issue costs directly attributable to the issue of the shares was not material. The acquisition is a business combination not under common control.

The Group controlled the board and business of Syracuse Group through the appointment of director to the board of Syracuse Hong Kong effective from 30 June 2020. Accordingly, the acquisition date was determined on 30 June 2020.

The following table summarize the consideration paid for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date.

	As at 30 June 2020 *RMB'000*
Fair value of ordinary shares issued	**628,214**
— Share capital	**3**
— Reserves	**628,211**
Fair value of contingent consideration	**51,793**
Total consideration	**680,007**

34 BUSINESS COMBINATION (Continued)

Recognized amounts of identifiable assets acquired and liabilities assumed

	As at 30 June 2020 *RMB'000*
Cash and cash equivalents	**45,308**
Licenses *(Note 15)*	**674,676**
Other assets	**9,273**
Trade and other payables	**(43,234)**
Total identifiable net assets	**686,023**
Bargain purchase gain	**(6,016)**
	680,007

The total cash flows from business combination were the net cash inflows derived from the cash and cash equivalents acquired from Syracuse Group, as the consideration for the acquisition are ordinary shares granted to the then equity holders of Syracuse Group.

The acquired business contributed no revenue and net loss of RMB12,493,899 of the Group since the date of acquisition.

If the acquisitions had occurred on 1 January 2020, the comprehensive loss for the year ended 31 December 2020 would have been increased by RMB48,020,000.

34 BUSINESS COMBINATION (Continued)

Contingent consideration for business Combination

The contingent consideration is recognized at fair value by discount cash flow model and classified as a financial liability measured at fair value through profit or loss on date of acquisition and at year end. The fair value of contingent consideration for business combination is determined by discount cash flow model.

Key valuation assumptions used for discount cash flow:

	As at 30 June 2020	As at 31 December 2020
Discount rate	**17%**	**16%**

Movements of contingent consideration for business combination for the year ended 31 December 2020 is set out below:

	RMB'000
At 1 January 2020	**—**
Business combination	**51,793**
Change in fair value	**7,897**
Currency translation difference	**(4,321)**
At 31 December 2020	**55,369**

35 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the report, the major related parties that had transactions and balances with the Group were as follows:

Name of related parties	Relationship with the Group
WuXi AppTec Group (Note)	Shareholder and its affiliates
Juno	Shareholder

Note: The Group considers that WuXi AppTec Co., Ltd and its affiliate ("WuXi AppTec Group") ceased to be a related party of the Group upon the Company's listing as WuXi AppTec Group does not have significant influence over the Group since then.

(a) Key management compensation

The directors are regarded as the key management of the Group. The compensation paid or payable to the key management for employment services is disclosed in Note 9.

35 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

(i) Short-term lease and low value lease expenses

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
WuXi AppTec Group	**2,248**	2,851

(ii) Receiving services

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
WuXi AppTec Group	**3,632**	7,832
Juno	**506**	—
	4,138	7,832

(iii) Purchase of materials

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
WuXi AppTec Group	**145**	808
Juno	**3,963**	2,274
	4,108	3,082

(iv) Purchase of property, plant and equipment

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
WuXi AppTec Group	**69**	—

35 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

(v) Purchase of license

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Juno	**—**	61,318

(c) Balances with related parties

(i) Other receivables and prepayments

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
WuXi AppTec Group	**—**	73

The balances due from WuXi AppTec Group were non-trade, unsecured, non-interest bearing and had no fixed repayment term as at 31 December 2019.

(ii) Trade and other payables

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
WuXi AppTec Group	**—**	3,932
Juno	**6,095**	2,147
	6,095	6,079

The balances due to WuXi AppTec Group and Juno were unsecured, trade in nature and non-interest bearing. These balances were due within 15 to 30 days.

Their fair values approximated their carrying amounts due to their short maturities.

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The Group's subsidiaries are as follows:

Company name	Country/place of operation and date of incorporation	Principal activities	Type of legal entity	Issued/ registered and fully paid up capital	Attributable equity interest to the equity holders of the Group 2020	2019
JWS Therapeutics Investment Co. Ltd.	Cayman Islands, 19 June 2020	Holding company	Exempted company with limited liability	US$50,000	**100%**	N/A
JW (Hong Kong) Therapeutics Limited	Hong Kong, 3 October 2017	Holding company	Limited liability company	USD6,200,000 & HKD10,000	**100%**	100%
JW Therapeutics (Shanghai) Co., Ltd. (上海藥明巨諾生物科技有限公司)	the PRC, 18 February 2016	Drug research and development and import and export handling	Limited liability company	USD40,500,000	**100%**	100%
Shanghai Ju Ming Medical Technology Co., Ltd. (上海炬明醫療技術有限公司)	the PRC, 10 July 2017	Medical research and experimental development	Limited liability company	RMB1,000,000	**100%**	100%
Shanghai Ming Ju Biotechnology Co., Ltd. (上海明聚生物科技有限公司)	the PRC, 30 August 2017	Clinical trial and CRO	Limited liability company	RMB1,000,000	**100%**	100%
Suzhou Ming Ju Biotechnology Co., Ltd. (蘇州明聚生物科技有限公司)	the PRC, 30 August 2018	Drug research and development	Limited liability Company	RMB500,000	**100%**	100%
JW Therapeutics R&D (Shanghai) Co., Ltd (上海藥明巨諾生物醫藥研發有限公司)	the PRC, 5 December 2018	Drug research and development	Limited liability company	USD15,000,000	**100%**	100%
JW Therapeutics (Suzhou) Co., Ltd. (蘇州藥明巨諾生物科技有限公司)	the PRC, 12 September 2018	Drug research and development and manufacturing and import and export handling	Limited liability company	USD15,000,000	**100%**	100%

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company name	Country/place of operation and date of incorporation	Principal activities	Type of legal entity	Registered capital	Attributable equity interest to the equity holders of the Group 2020	2019
Syracuse Biopharma (Hong Kong) Limited *(Note a)*	Hong Kong, 7 June 2018	Holding company	Limited liability company	USD13,894,000	**100%**	N/A
Eureka (Beijing) Biotechnology Co., Ltd (優瑞科(北京)生物技術有限公司) *(Note a)*	The PRC, 2 April 2007	Conducts clinical studies of T-cell therapies in China	Limited liability company	RMB40,000,000	**100%**	N/A
Syracuse Biopharma (Jiangsu) Co., Ltd. (賽諾思遠生物科技(江蘇)有限公司) *(Note a)*	The PRC, 18 September 2018	Conducts clinical studies of T-cell therapies in China	Limited liability company	RMB100,000,000	**100%**	N/A
Aeon Therapeutics (Beijing) Limited (頤昂生物科技(北京)有限公司) *(Note a)*	The PRC, 8 March 2017	Conducts clinical studies of T-cell therapies in China	Limited liability company	RMB40,000,000	**100%**	N/A
Wuhan Guanggu Aeon Therapeutics Limited (武漢光谷頤昂生物科技有限公司) *(Note a)*	The PRC, 28 August 2018	Conducts clinical studies of T-cell therapies in China	Limited liability company	RMB10,000,000	**100%**	N/A

Note (a): These subsidiaries were acquired on 30 June 2020 (Note 34).

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Intangible assets	**135,131**	144,477
Prepayment for license	**6,525**	—
Investments in subsidiaries	**760,985**	15,443
	902,641	159,920
Current assets		
Other receivables and prepayments	**1,211,161**	725,691
Cash and cash equivalents	**2,190,956**	12,588
	3,402,117	738,279
Total assets	**4,304,758**	898,199
EQUITY		
Equity attributable to owners of the Company		
Share capital	**26**	4
Reserves	**6,047,511**	48,531
Accumulated losses	**(1,865,541)**	(590,517)
Total equity/(deficit)	**4,181,996**	(541,982)
LIABILITIES		
Non-current liabilities		
Preferred shares	**—**	1,420,454
Total non-current liabilities	**—**	1,420,454
Current liabilities		
Trade and other payables	**15,651**	410
Contingent consideration for business combination	**55,369**	—
Warrants	**51,742**	19,317
Total current liabilities	**122,762**	19,727
Total liabilities	**122,762**	1,440,181
Total equity and liabilities	**4,304,758**	898,199

The balance sheet of the Company were approved by the Board of Directors on 26 March 2021 and were signed on its behalf.

Dr. Yiping James Li
Director

Ms. Xing Gao
Director

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

	Share premium *RMB'000*	Share-based compensation reserve *RMB'000*	Treasury Shares held in trust *RMB'000*	Foreign currency translation *RMB'000*	Capital reserve *RMB'000*	Total *RMB'000*
Balance at 1 January 2019	40,615	—	—	(2,009)	—	38,606
Share based compensation expenses	—	15,443	—	—	—	15,443
Currency translation differences	—	—	—	(5,518)	—	(5,518)
Balance at 31 December 2019	40,615	15,443	—	(7,527)	—	48,531
Balance at 1 January 2020	**40,615**	**15,443**	**—**	**(7,527)**	**—**	**48,531**
Share based compensation expenses	**—**	**133,673**	**—**	**—**	**—**	**133,673**
Currency translation differences	**—**	**—**	**—**	**(117,127)**	**—**	**(117,127)**
Allotment of shares	**628,211**	**—**	**—**	**—**	**—**	**628,211**
Issue of shares held in trust	**—**	**—**	**(1)**	**—**	**1**	**—**
Issue of shares by initial public offering	**2,140,201**	**—**	**—**	**—**	**—**	**2,140,201**
Issue of shares by converting preferred shares into ordinary share	**3,214,022**	**—**	**—**	**—**	**—**	**3,214,022**
Balance at 31 December 2020	**6,023,049**	**149,116**	**(1)**	**(124,654)**	**1**	**6,047,511**

38 SUBSEQUENT EVENTS

Save as disclosed elsewhere in the report, there are no material subsequent events undertaken by the Group after 31 December 2020 except below:

On 10 January 2021, the Company completed the treatment of 100 patients with relma-cel in clinical trials. As such, on 19 February 2021, the Company provide Juno milestone payment in cash in an amount of approximately RMB32.3 million (equivalent to USD5 million) based on occurrence of treatment of 100 patients in connection with the License and Strategic Alliance Agreement.

On 27 January 2021, the Company issued 23,050 ordinary shares to Syracuse Cayman as partial settlement of the contingent consideration for business combination.

In this report, unless the context otherwise requires, the following expressions have the meanings set out below. These expressions and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled expressions adopted by other companies operating in the same industries as our Company.

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"AGM(s)"	annual general meeting(s) of the Company
"Articles of Association"	the seventh amended and restated articles of association of the Company adopted on October 14, 2020 with effect from the Listing Date
"Audit Committee"	the audit committee of the Board
"BCMA License Agreement"	the license agreement entered into between our Company and Juno dated April 11, 2019
"Board", "our Board" or "Board of Directors"	the board of Directors of our Company
"Board Committees"	the Audit Committee, the Nomination Committee and the Remuneration Committee
"CAR-T"	chimeric antigen receptor T-cell
"CEO"	the chief executive officer of our Group
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "the Company" or "JW Therapeutics"	JW (Cayman) Therapeutics Co. Ltd (Stock code: 2126), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 6, 2017, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely Shanghai Ju Ming and its subsidiaries Shanghai Ming Ju and Suzhou Ming Ju Biotechnology Co., Ltd. (蘇州明聚生物科技有限公司)

"Contractual Arrangements"	a series of contractual arrangements entered into among Shanghai Ju Ming, JW Shanghai and the Registered Shareholders for control over the Consolidated Affiliated Entities, details of which are described in the section headed "Contractual Arrangements" in this report
"Director(s)"	the director(s) of the Company
"Dr. Li"	Dr. Yiping James Li, our executive Director, the Chairman and the CEO
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an independent industry consultant
"Global Offering"	the Hong Kong public offering and the international offering of the Shares
"Group", "our Group", "the Group", "we", "us", or "our"	the Company, its subsidiaries and the Consolidated Affiliated Entities from time to time
"HKD" or "HK$" or "HK dollars"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"Joint Global Coordinators"	Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch, China International Capital Corporation HongKong Securities Limited and CLSA Limited
"Joint Sponsors"	Goldman Sachs (Asia) L.L.C. and UBS Securities Hong Kong Limited
"Juno"	Juno Therapeutics, Inc., a company incorporated in Delaware, the United States on August 5, 2013 under its former name, FC Therapeutics, Inc., a wholly-owned subsidiary of Celgene which is in turn wholly-owned by BMS, and is one of our Substantial Shareholders
"JW Shanghai"	JW Therapeutics (Shanghai) Co., Ltd. (上海藥明巨諾生物科技有限公司), a limited liability company established under the laws of the PRC on February 18, 2016, and one of the Company's subsidiaries
"License and Strategic Alliance Agreement"	the license and strategic alliance agreement entered into between our Company and Juno in December 2017
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	November 3, 2020, being the date on which the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the seventh amended and restated memorandum of association of the Company adopted on October 14, 2020 with effect from the Listing Date
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"NDA"	new drug application
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, China Food and Drug Administration (國家食品藥品監督管理總局)
"Nomination Committee"	the nomination committee of the Board
"Post-IPO Incentivization Scheme"	the Post-IPO Share Incentivization Scheme adopted by the Company on October 14, 2020
"Post-IPO Restricted Share Unit Scheme"	the Post-IPO Restricted Share Unit Scheme adopted by the Company on October 14, 2020
"Pre-IPO Incentivization Scheme"	the Pre-IPO Incentivization Scheme adopted by the Company on September 4, 2019
"Prospectus"	the prospectus of the Company dated October 22, 2020
"R&D"	research and development
"Registered Shareholders"	the registered shareholders of Shanghai Ju Ming, being Ms. Jing Lv (呂晶), an employee of our Group and Ms. Xing Gao (高星), our non-executive Director, as at the date of this annual report
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the one-year period from January 1, 2020 to December 31, 2020
"Restricted Share Unit Scheme"	the Restricted Share Unit Scheme adopted by the Company on September 4, 2019
"Restricted Share Unit Schemes"	the Restricted Share Unit Scheme and the Post-IPO Restricted Share Unit Scheme
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"RSU(s)"	the restricted share unit(s) granted pursuant to the Restricted Share Unit Scheme
"Series A2 Preferred Shares"	the series A2 preferred shares of the Company
"Series B Preferred Shares"	the series B preferred shares of the Company
"Series X Preferred Shares"	the series X preferred shares of the Company

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Ming Ju"	Shanghai Ming Ju Biotechnology Co., Ltd.* (上海明聚生物科技有限公司), a limited liability company established under the laws of the PRC on August 30, 2017 and our Consolidated Affiliated Entity
"Shanghai Ju Ming"	Shanghai Ju Ming Medical Technology Co., Ltd.* (上海炬明醫療技術有限公司), a limited liability company established under the laws of the PRC on July 10, 2017 and our Consolidated Affiliated Entity
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$0.00001 each
"Share Incentivization Schemes"	our Pre-IPO Incentivization Scheme, Restricted Share Unit Schemes and Post-IPO Incentivization Scheme
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Syracuse Cayman"	Syracuse Biopharma (Cayman) Ltd., a limited liability company established under the laws of Cayman Islands on December 7, 2017 under its former name, Warrior Biopharma (Cayman) Ltd., and one of our Substantial Shareholders
"United States", "U.S." or "US"	the United States of America, it territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"WuXi AppTec" or "WXAT"	WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司), a joint stock company with limited liability incorporated under the laws of PRC in December 2000 and whose H shares are listed on the Stock Exchange (SEHK: 2359) and A shares are listed on the Shanghai Stock Exchange (SSE: 603259)
"WXAT HK"	WuXi AppTec (Hong Kong) Holding Limited, a limited liability company incorporated under the laws of Hong Kong on January 6, 2015, and an indirectly wholly-owned subsidiary of WXAT
"WXAT Shanghai"	WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司), a company incorporated under the laws of PRC on April 2, 2002, and a directly wholly-owned subsidiary of WXAT, and directly owns WXAT HK
"%"	per cent