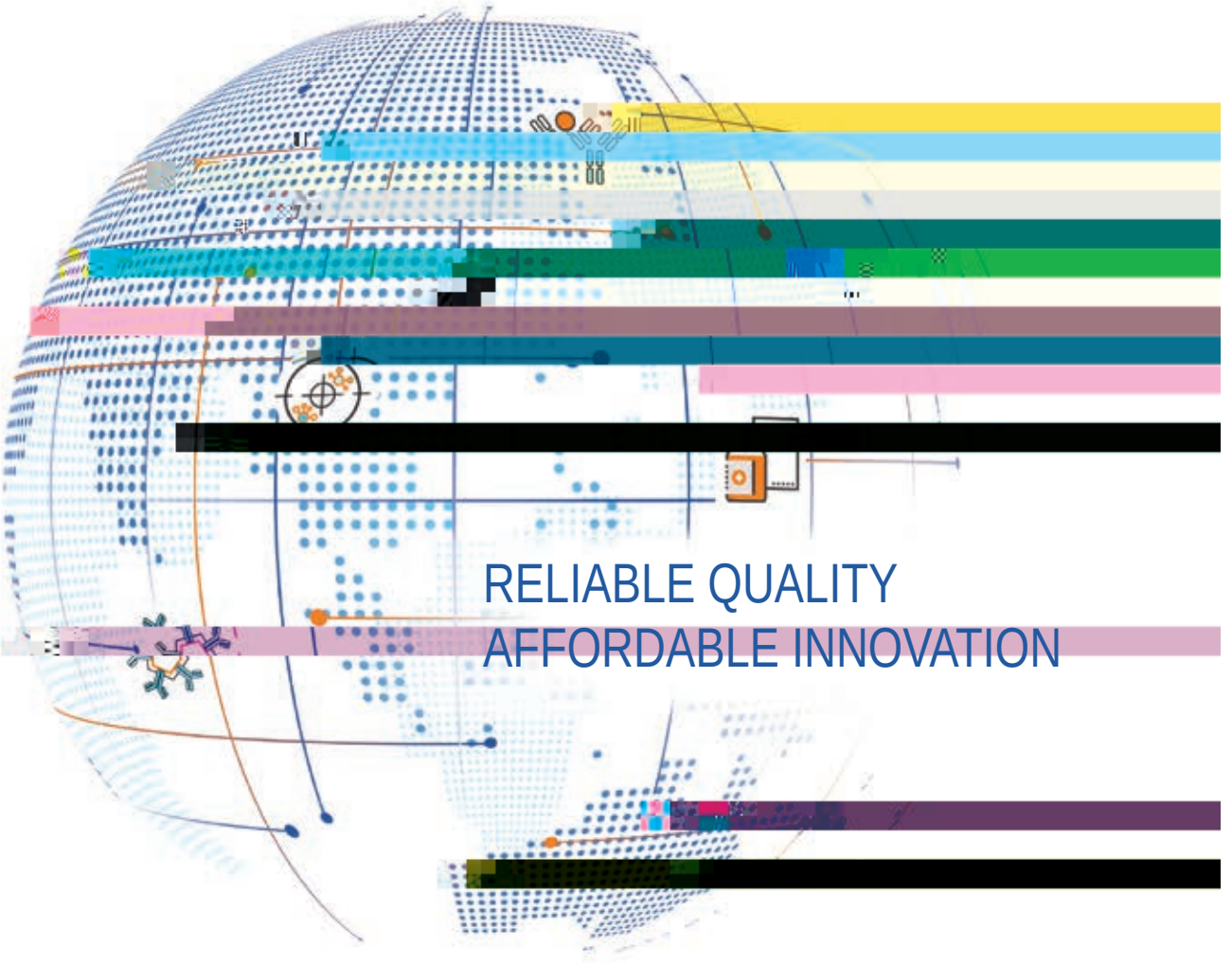
Henlius

SHANGHAI HENLIUS BIOTECH, INC.

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



2019 ANNUAL REPORT

MISSION

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

VISION

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

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CORPORATE INFORMATION

DIRECTORS

Executive director

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

Non-executive directors

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

Independent non-executive directors

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

SUPERVISORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

STRATEGY COMMITTEE

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

Note:

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

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

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

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

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

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

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Wanchai
Hong Kong

COMPLIANCE ADVISER

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AUDITOR AND REPORTING ACCOUNTANTS

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Certified Public Accountants
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LEGAL ADVISERS TO THE COMPANY

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Hong Kong

As to PRC law:
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PRC

STOCK SHORT NAME

HENLIUS – B

STOCK CODE

2696

COMPANY WEBSITE

www.henlius.com

CHAIRMAN'S STATEMENT

INNOVATION LEADS TO SUSTAINABILITY, PROMOTING GLOBAL BIOPHARMACEUTICAL INNOVATION AND DEVELOPMENT

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



Dear Shareholders,

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

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

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

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

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

Chairman
Qiyu Chen



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

Dear Shareholders,

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

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

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

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

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

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

RELIANCE ON SCIENCE AND SPECIALTY, AND INNOVATION IN MULTIPLE DIMENSIONS

Standing at a new starting point, we always remind ourselves to face up to the challenges during the transformation period with the pursuit of excellence and ambition as our core value. In the future, we will focus on the product portfolio, production capacity and commercial operations to further strengthen our leading position in biopharmaceutical industry in Chi3mmercial oprtfi3( )ddumiod witIenvic I pr

OPERATION HIGHLIGHTS

II. FIVE YEARS' FINANCIAL SUMMARY

RESULTS



III. HIGHLIGHTS OF THE YEAR

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

HLX01 ;p (Rituximab)

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

HLX02 (trastuzumab)

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

HLX03 (adalimumab)

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

HLX04 (bevacizumab)

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

OVERALL LAYOUT OF IMMUNO-ONCOLOGY COMBINATION THERAPIES

HLX10 (innovative anti-PD-1 mAb)

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

HLX10+chemotherapy

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

HLX10+HLX04

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

HLX10+HLX07

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

OTHER PRODUCTS UNDER RESEARCH

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

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

HLX55 (innovative anti-c-MET mAb)

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

HLX11 (Pertuzumab)

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

HLX04 (bevacizumab)

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

In September 2019

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

In December 2019

IV. OUR PRODUCT PIPELINE

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

Product (Reference Drug)	Target	Indication	Pre-clinical	IND	Phase 1	Phase 2	Phase 3	NDA	Approved for commercialisation	Partner

I. BUSINESS REVIEW

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

(I) Promoting the sustainable and steadily growing product pipeline

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

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

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

2. CONTINUOUS AND EFFICIENT ADVANCEMENT ON CLINICAL RESEARCH PRODUCTS

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

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

3. ACCELERATING THE DEVELOPMENT OF MULTIPLE PRE-CLINICAL RESEARCH PROJECTS

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



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

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

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

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

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

(III) Advanced commercialisation strategy and layout

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

- **Commercial sales planning for** ; p **(products treating haematological tumours)** j

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

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

(V) Social responsibility, environmental policies and performance

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

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

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CORE PRODUCTS.

II. OUTLOOK FOR 2020

In 2020, the Group will further expand its biopharmaceutical product portfolio covering oncology, auto-immune diseases and more fields, capitalise the achieved first-entrant advantages to further advance the implementation of the Group's internationalisation strategy, improve the production base construction, expand production capacity and accelerate the commercialisation of more high-quality biological products to benefit more patients wn66dwide.

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

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

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

In 2020, the Group will also continue to strengthen the sales landing of 漢利康, capitalise the first-entrant advantages, and work closely with Jiangsu Fosun to focus on the continued growth of 漢利康 in the field of haematological tumours. The Group will cooperate with Jiangsu Wanbang to carry out the sales of HLX03 and make full use of Jiangsu Wanbang's successful commercialization experience in the field of rheumatology treatment product 箭皰雯碓黂煣皆P澗　碍試炙睲笭皪珺燧碓睋

(IV) MAINTAIN

(V) R&D EXPENDITURE

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

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

(XI) Inventories

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

(XII) Trade and bills receivables

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

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

(XIII) Interest-bearing bank and other borrowings

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

Such borrowings bear interest at fixed annual interest rates.

(XIV) Maturity structure of outstanding debts

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

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

(XV) Collateral and pledged assets

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

(XVIII) Capital commitments and capital expenditures

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

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

(XIX) Contingent

(III) Potential risks

1. Market risk

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

2. Business and operational risk

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

3. Potential risks of novel coronavirus

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

V. EMPLOYEES AND REMUNERATION POLICIES

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

Function	Number of
Total	

The Group enters into individual .1ployment contracts with our employees setting out terms such as salaries, bonuses, grounds for termination and confidentiality. E1ployment contracts with our R&D personnel also typically contain a non-competition clause. Th. Group also provides ben.fits to our employees as part of th.ir comp.nsation packag. which we believe is in lin. with industry norm. For example, PRC-based employees are entitled to social insurance as mandated by the PRC Social Insurance Law, including p.nsion, basic medical insurance, maternity insurance, work-related injury insurance, un.1ployment insurance and housing provident fund. To stay competitive in the market for talents, we have also adopted share award schemes to give incentives to our employees. The Group emphasises on-the-job training as a constant, ongoing objective for the employees. All employees participate in formal training on an annual basis, where the Group focuses on the latest technical developments and updates in regulatory requirements.

REPORT OF DIRECTORS

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

PRINCIPAL ACTIVITIES

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

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

RESULTS AND DIVIDENDS

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

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

PROFIT DISTRIBUTION PLAN

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

BUSINESS REVIEW

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

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

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

SUMMARY FINANCIAL INFORMATION

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

BANK BORROWINGS AND OTHER BORROWINGS

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

PROPERTY, PLANT AND EQUIPMENT

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

CHARGE ON ASSETS

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

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

SHARE CAPITAL

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

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

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

DISTRIBUTABLE RESERVES

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

DIRECTORS

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

Executive director

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

Non-executive directors

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

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

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

PENSION SCHEME

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

MANAGEMENT CONTRACT

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' AND SUPERVISORS' INTEREST IN COMPETING BUSINESS

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

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

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

(a) THE COMPANY

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

Note:

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

(b) ASSOCIATED CORPORATION OF THE COMPANY

Name	Name of Associated Corporation	Number of Shares	Nature of interest	Approximate percentage in relevant class of shares
Scott Shi-Kau Liu	Fosun International	3,000,000 shares	Beneficial owner	0.04%
Qiyu Chen	Fosun International			

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

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

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

Notes:

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

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

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

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

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

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

(7) As at 31 December 2019, Mr. Guangchang Guo held approximately 85.29% of the shares in FIHL. Mr. Guangchang Guo was deemed to be (2

PERMITTED INDEMNITY

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

SHARE OPTION SCHEME

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

EQUITY-LINKED AGREEMENTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

DONATIONS

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

CONTINUING CONNECTED TRANSACTIONS

Collaboration arrangements under the HLX01 agreement and the HLX03 agreement

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

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

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

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

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

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

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

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

Confirmation of the auditors

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

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

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

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

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

Framework property leasing agreement

On 31 December 2019, the Company entered into a framework property leasing agreement (the "**Framework Property Leasing Agreement**") with Shanghai Clone High Technology Co., Ltd.* (上海克隆生物高技術有限公司) (the "**Clone High Tech**"), a wholly,025f.086-0

ONE-OFF CONNECTED TRANSACTIONS

Property leasing agreements

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

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

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

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

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

SUBSEQUENT EVENTS

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

SIGNIFICANT LEGAL PROCEEDINGS

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

RELATIONSHIP WITH STAKEHOLDERS

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

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

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

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

AUDITORS

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

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

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

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

THE DAILY OPERATION OF THE BOARD OF SUPERVISORS

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

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

1. Compliance with laws in operations

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

2. Financial Position

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

3. Internal Control

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

4. Connected Transactions

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

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

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

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

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

Independent non-executive directors

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

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

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

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

Chairman, chief executive officer and president

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

Independent non-executive directors

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

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

Appointment, removal and re-election of directors

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

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

Under the Articles of Association, in case a Director has failed to be present in person twice consecutively without any due causes, nor authorizethe pla 2ther director to be present at the board meeting on his behalf, he shall be considerethe plunable to fulfill his duties as a director, and the Board may suggest the general meeting making replacement.

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

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEM

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

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

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

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

Note:

Types of Training

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

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

BOARD COMMITTEE

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

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

AUDIT COMMITTEE

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

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

As the time of listing of the Company's shares is relatively short, during the period from the Listing Date to 31 December 2019, the Audit nterim anden-d one meeting. The Audit Committee hass at Da one mee with019, (of external audi.(46)TjETq0 0 595.276 807.874 reW nBT/Span ≠A

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

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

Strategy committee

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

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

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

Board diversity policy

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

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

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

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

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

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

Corporate governance functions

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

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

ATTENDANCE RECORDS OF DIRECTORS

Since the Company's H shares were only listed on 25 September 2019, the Company only held four Board meetings, one Audit

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

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

Note:

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

– the Company has developed adequate and effective risk management procedures and internal control systems based on the

AUDITORS' REMUNERATION

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

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

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

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

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

Putting forward proposals at general meetings

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

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

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

Putting forward enquiries to the board

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

Contact details

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

Policies relating to shareholders

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

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

Dr. Liu has more than 25 years of experience in biopharmaceutical R&D, manufacturing and quality management. He started his career as a deputy professor in the department of biology of National Sun Yat-sen University of Taiwan from August 1993 to August 1994 right after a postdoctoral training in biology at Stanford University in the United States from August 1991 to August 1993. Prior to joining to the Group, Dr. Liu has engaged in research activities from 1994 to 1998, and has previously served several executive positions such as the vice president of R&D in Asia from October 1998 to March 2000 and the director for quality operations and regulatory affairs from

Mr. Yifang Wu, aged 50, was appointed as a non-executive director of the Company on 12 June 2015. Mr. Wu is the executive director, president and chief executive officer of Fosun Pharma. Mr. Wu joined Fosun Pharma in April 2004. He was the senior vice president of Fosun Pharma from July 2014 to January 2016 and the senior vice president and chief operating officer of Fosun Pharma from January 2016 to June 2016. He has been the president and chief executive officer of Fosun Pharma since June 2016 and has been appointed as executive director of Fosun Pharma since August 2016. Prior to joining Fosun Pharma Group, Mr. Wu has been a technician, director, production officer, finance director, assistant to director of Xuzhou Biochemical Pharmaceutical Factory (徐州生物化學製藥廠), a deputy director of Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant (徐州（萬邦）生物化學製藥廠), the deputy general manager of Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd. (徐州萬邦生化製藥有限公司

Biopharmaceutical Co., Ltd. 碗燔萬邦生化梱藥玬姏有限公司

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

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

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

Since 2007, Dr. Song has been dedicated to the research of China'

BOARD OF SUPERVISORS

Mr. Zhou Yong (t Ç **)**, aged 48, was appointed as a Supervisor of the Company on 12 June 2015, and the chairman of the board of supervisors on 30 August 2016. Mr. Zhou has been the assistant to the president and the director of office of Fosun Pharma Industrial since December 2014; he currently serves as the executive general manager of human resources department of Fosun Pharma, and the vice president and the general manager of human resources and administration department of Fosun Pharma Industrial. Prior to joining the Fosun Pharma Group, Mr. Zhou served as the human resources manager of Shanghai Lucent Technology Transmission Equipment Co., Ltd.(上海朗訊科技傳輸設備有限公司) from January 1994 to February 1998; the senior human resources specialist of UNITED STATES ELI LILLY (ASIA) CO.(美國禮來亞洲公司) from February 1998 to March 2001; the human resources manager of the China division at Shanghai AC Ni'ersen Market Research Limited Company(上海AC尼爾森市場調研有限公司)from March 2001 to May 2003; the deputy director of human resources of the China business division of Yum! Brands Inc.(百勝餐飲集團)from May 2003 to November 2011; and the head of human resources shared service of the China division at Akzo Nobel (China) Investment Co., Ltd.(阿克蘇諾貝爾(中國)投資有限公司) from November 2011 to December 2014.

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

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

Ms. Dai Kun (Ö ú**)**, aged 42, was appointed as the supervisor of the Company and the chairman of the board of supervisors on 19 February 2020. Ms. Dai served as the assistant to the president and general manager of the human resources department of Fosun Pharma from March 2018 to January 2020; and as the vice president and general manager of human resources of Fosun Pharma since January 2020. Prior to joining Fosun Pharma Group, Ms. Dai worked as the customer service representative at China International Intellectech Co., Ltd. (中國國際技術智力合作有限公司) from July 2000 to November 2001. From November 2001 to February 2012, she served as the assistant to the vice president, specialist and supervisor of human resources, the manager of human resources sharing centre as well as the manager of the business department and the deputy director of human resources of Beijing Novartis Pharma Ltd.* (北京諾華製藥有限公司). From March 2012 to August 2015, she was the human resources director of Novartis China (諾華集團(中國)) in Greater China and South Korea regions. From November 2015 to March 2018, Ms. Dai served as the director of the recruitment centre and director of corporate services human resources of Novartis China (諾華集團(中國)

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

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

SENIOR MANAGEMENT OF THE GROUP

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

Mr. Wenjie Zhang (u Ö ë **)**, aged 52, has been the senior vice president, chief commercial operation officer and chief strategy officer of 0fficeruë

Dr. Zidong Zhang (u • Š **)**, aged 39, served as the Chief Financial Officer of the Company since March 2018.

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

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

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

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

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

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

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

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

JOINT COMPANY SECRETARIES

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

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

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

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



KEY AUDIT MATTERS *(CONTINUED)*

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

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individualo not aoductess.ogg regtce,essyt culdo reasonabo not be(epeucted(toinflueance)-1ess.e coomic(dcis(ions)-1(ofusterstakhenoctess.(b

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures t7 0.68 -(•)6'ordfindungs,aincapp(intany su)1if cant defnd tnd theinntrol.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

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

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

CONSOLIDATED STATEMENT OF FINANCIAL P N

mber 2019

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Entrusted loan from reS2 gs/T2 lSQqartyTf0 CN/cs1 gsscnT0 10Tf-57.025 -2.48SH 2Tj2.2247 6 k/GS2 gs/TT0 1 Tf-57..412 TD6.94Notes			

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

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

INFORMATION ABOUT SUBSIDIARIES

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

Name	Place and date of incorporation and place of operations	Issued ordinary/ registered share capital	Percentage of P subsidiaes:

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

INFORMATION ABOUT SUBSIDIARIES *(CONTINUED)*

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

Notes:

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

2.1 BASIS OF PREPARATION *(CONTINUED)*

Basis of consolidation

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

FAIR VALUE MEASUREMENT *(CONTINUED)*

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Research and development costs *(continued)*

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

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

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

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	50 years
Plant and machinery	5 to 10 years

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

LEASES *(CONTINUED)*

GROUP AS A LESSEE *(CONTINUED)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in the assessment to purchase the underlying asset.

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

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

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

FINANCIAL ASSETS

INITIAL RECOGNITION AND MEASUREMENT

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

FINANCIAL ASSETS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will 0ef e orr ot ar crloss1(e o Groued)-te. grctive ive,tual cash flowexrms.0 595.276 807.874 reW nBT/Span /ActualText (p)BDC 0

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Cash and cash equivalents

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

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

Income tax

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

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

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are rf the revers/

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

INCOME TAX *(CONTINUED)*

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

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

GOVERNMENT GRANTS

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

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

REVENUE RECOGNITION

REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

SALE OF BIOPHARMACEUTICAL PRODUCTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Contract assets

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

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

Share-based payments

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

SHARE-BASED PAYMENTS *(CONTINUED)*

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Borrowing costs

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

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Revenue from contracts with customers

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

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

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

(b) Determining the timing of satisfaction of License

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

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

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

JUDGEMENTS *(CONTINUED)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(CONTINUED)*

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

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

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

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

(d) Determining the method to estimate variable consideration

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

Given that the payments of variable consideration are not within the control of the Group, such as regulatory approvals, relevant consideration is not considered certain translation price until relevant approvals are obtainl b--T301(the)3( )]TJ03Tc

4. OPERATING SEGMENT INFORMATION

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

Geographical information

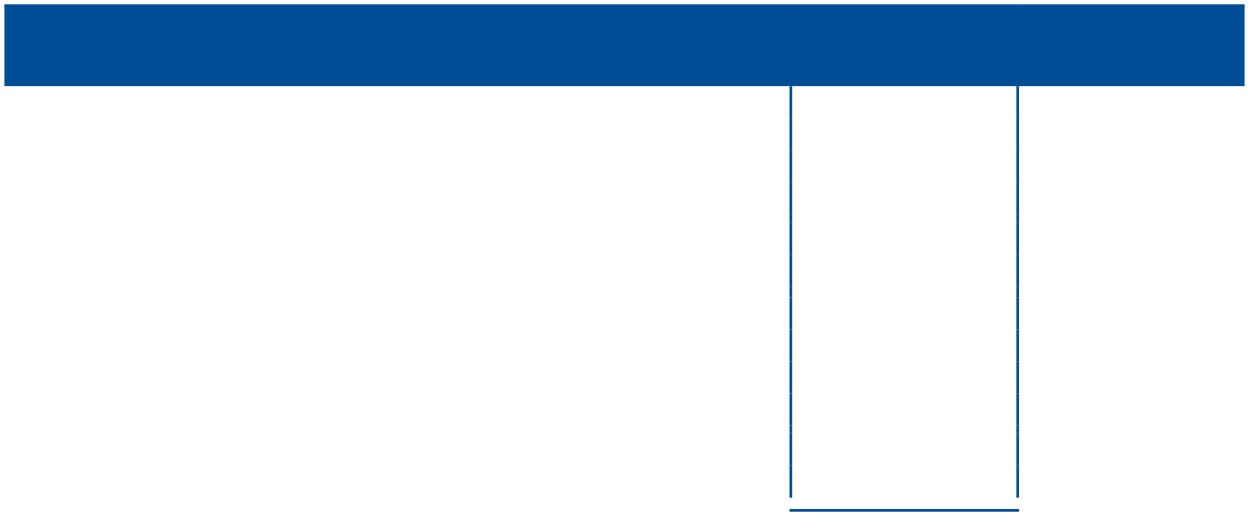
(a) Revenue from external customers

5. REVENUE

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

Revenue from contracts with customers

(a) Revenue information



5. REVENUE *(CONTINUED)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(CONTINUED)*

(b) PERFORMANCE OBLIGATIONS *(CONTINUED)*

Research and development services

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

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

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

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

6. OTHER INCOME AND GAINS

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

Note:

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

7. LOSS BEFORE TAX

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

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

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

8. FINANCE COSTS

An analysis of finance costs is as follows:

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

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

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

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

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

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

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

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

Notes:

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

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

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

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

10. FIVE HIGHEST PAID EMPLOYEES

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

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

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

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

11. INCOME TAX

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

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

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

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

Year ended 31 December 2019

	Other

11. INCOME TAX *(CONTINUED)*

Year ended 31 December 2018

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

12. DIVIDENDS

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

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

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

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

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

(CONTINUED)

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

14. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

15. INTANGIBLE ASSETS

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

15. INTANGIBLE ASSETS *(CONTINUED)*

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

Non-patent technologies

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

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

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

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

Deferred development costs

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

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

15. INTANGIBLE ASSETS *(CONTINUED)*

DEFERRED DEVELOPMENT COSTS *(CONTINUED)*

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

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

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

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

SENSITIVITY TO CHANGES IN KEY ASSUMPTIONS

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

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

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

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

16. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

31 December 2019

16. LEASES *(CONTINUED)*

THE GROUP AS A LESSEE *(CONTINUED)*

(b) LEASE LIABILITIES

17. OTHER NON-CURRENT ASSETS

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

18. INVENTORIES

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

19. TRADE AND BILLS RECEIVABLES

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

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

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

19. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

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

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

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

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

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

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

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

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

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

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

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

22. TRADE AND BILLS PAYABLES

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

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

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

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

23. OTHER PAYABLES AND ACCRUALS

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

24. CONTRACT LIABILITIES *(CONTINUED)*

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

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

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

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans and other loans repayable:		
Within one year	**240,697**	115,363
In the second year	**174,133**	88,804
In the third to fifth years, inclusive	**16,297**	131,909

26. DEFERRED TAX

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

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

The unused tax losses expire as follows:

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

Deferred tax assets have not been recognised in respect of the above items as the Company and its subsidiaries have been

28. SHARE CAPITAL

SHARES

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

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

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

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

29. RESERVES

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

30. SHARE AWARD SCHEME

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

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

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

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

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

The aggregate fair value of the shares granted amounted to approximately RMB516,653,000, and the fair value is determined by an external valuer using the discounted cash flow model taking into account the terms and conditions upon which the restricted shares were granted. The Group has recognised expenses of RMB93,458,000, deferred development costs of RMB26,517,000, cost of sales of RMB3,659,000 and property, plant and equipment-construction in progress of RMB100,000 for the year ended 2019.

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) TRANSACTIONS WITH RELATED PARTIES

	Notes	2019 RMB'000	2018 RMB'000
Sell biopharmaceutical products to:			
Jiangsu Fosun	(i)	**75,418**	–
Sino Fuzhou	(i)	**653**	–
Sino Chongqing	(i)	**238**	–
		76,309	–
License to:			
Fosun Pharma Industrial Development	(ii)	**8,578**	–
Provide research and development service to:			
Fosun Pharma Industrial Development	(iii)	**236**	3,625
Kai Mao Bio-pharma	(iii)	**–**	20
Chongqing Funchuang	(iii)	**69**	69
		305	3,714
Purchases of services from:			
Beijing Fosun	(iv)	**302**	255
Shanghai Xingyi	(iv)	**–**	246
Kai Mao Bai-pharma	(iv)	**77**	–
Fosun Pharma Industrial Development	(iv)	**2,315**	–
		2,694	501
Purchases of materials from:			
Sinopharm	(iv)	**940**	647
Rental of properties from:			
Clone High Tech	(iv)	**3,723**	21,142
Kai Mao Bai-pharma	(iv)	**68**	106
		3,791	21,248
Interest expense on lease liabilities:			
Clone High Tech	(iv)	**10,007**	10,742

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	Notes	2019 RMB'000	2018 RMB'000
Advance from License for:			
Fosun Pharma Industrial Development	(ii)	**87,943**	79,009
Jiangsu Wanbang	(ii)	**19,630**	26,934

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

(v) During the year of 2018, the Group lent loans to Fosun Pharma through the cash pooling of Fosun Pharma, the Directors consider that the applicable interest rates are determined in accordance with the prevailing market lending rates, the transactions were carried out in accordance with the terms and conditions similar to other companies who lend loans to Fosun Pharma through the cash pooling. By the end of 2018, Fosun Pharma has already repaid these loans to the Group.

(vi) During the year of 2018, the Group obtained entrusted loans from Fosun Pharma Industrial Development. The loans' term is one year. The loans are jointly secured by the equity interests of the Company held by the Company's shareholders Cayman Henlius, Shi-Kau Scott Liu, Wei-Dong Jiang, Shanghai Guoyou and Shanghai Guohong. The Directors consider that the applicable interest rates are determined in accordance with the prevailing market borrowing rates. By the end of 2018, the Group has already fully paid these entrusted loans to Fosun Pharma Industrial Development.

(c) OUTSTANDING BALANCES WITH RELATED PARTIES

	Notes	**2019 RMB'000**	2018 RMB'000
Amounts due from related parties			
Trade and bill receivables			
Jiangsu Fosun	(i)	**28,295**	–
Sino Fuzhou	(i)	**212**	–
Fosun Pharma Industrial Development	(i)	**–**	250
Jiangsu Wanbang	(i)	**–**	1,000
Kai Mao Bio-pharma	(i)	**–**	21
		28,507	1,271
Prepayments deposits and other receivables			
Beijing Fosun	(ii)	**–**	320
Amounts due to related parties			
Trade payables			
Sinopharm	(iii)	**117**	32
Fosun Pharma Industrial Development	(iii)	**1,792**	–
		1,909	32
Other payables and accruals			
Shanghai Xingyi	(iv)	**–**	113
Kai Mao Bio-pharma	(iv)	**–**	36
		–	149

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	Notes	2019 RMB'000	2018 RMB'000
Lease liabilities			
Clone High Tech	(v)	**141,795**	165,008
Contract liabilities			
Fosun Pharma Industrial Development	(vi)	**317,344**	224,221
Jiangsu Wanbang	(vi)	**86,232**	57,771
		403,576	281,992

Notes:

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

(ii) The amounts due from the related party in the prepayments, deposits and other receivables were trade in nature, unsecured, interest-free. The balances have been fully repaid by the end of 2019.

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

(iv) The amounts due to the related party in other payables and accruals were non-trade in nature, unsecured, interest-free and settled in 2019.

(v) The Company rent properties as plants, laboratories and offices from Clone High Tech and recognised the corresponding lease liabilities, the maturity profile of the lease liabilities due to Clone High Tech as at the end of 2019 is as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**20,513**	16,246
In the second year	**24,066**	19,826
In the third to fifth years, inclusive	**68,639**	69,878
Beyond five years	**28,577**	59,058
	141,795	165,008

(vi) The amounts due to related parties in Contract liabilities were the advance payments of the License for certain biopharmaceutical products. These amounts are trade in nature, unsecured and with interest which represented the significant financial component in the contract.

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(d) Compensation of key management personnel of the Group

	2019 RMB'000	2018 RMB'000
Fees	**300**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**10,653**	6,590
Performance related bonuses	**2,157**	2,216
Staff welfare expenses	**534**	426
Share award scheme	**14,926**	11,195
Total compensation paid to key management personnel	**28,570**	20,427

Further details of Directors' and supervisors' remuneration are included in note 9 to the financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period of the Group are as follows:

Financial assets at amortised cost

	2019 RMB'000	2018 RMB'000
Trade and bills receivables	**29,830**	6,821
Financial assets included in prepayments, deposits and other receivables	**25,248**	3,745
Pledged deposits	**3,559**	6,024
Cash and cash equivalents	**2,301,092**	958,990
	2,359,729	975,580

Financial liabilities at amortised cost

	2019 RMB'000	2018 RMB'000
Trade and bills payables	**240,158**	85,309
Financial liabilities included in other payables and accruals	**326,742**	256,268
Interest-bearing bank and other borrowings	**609,389**	528,018
	1,176,289	869,595

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices In active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**–**	**334,276**	**–**	**334,276**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices In active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	388,199	–	388,199

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019 were assessed to be insignificant.

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

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

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from activities by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of reporting period to a reasonably possible change in the USD and RMB exchange rate and in the USD and NTD exchange rate, with all other variables held constant, of the Group's loss before tax due to changes arising on fair values of monetary assets and liabilities and the Group's equity excluding the impact of retained earnings due to the changes of exchange fluctuation reserve of certain overseas subsidiaries whose functional currencies are currencies other than RMB.

	Increase/ (decrease) in USD rate %	Increase/ (decrease) in equity RMB'000
Year ended 31 December 2019		
If the RMB weakens against the USD	**5**	**35,954**
If the RMB strengthens against the USD	**(5)**	**(35,954)**
If the NTD weakens against the USD	**5**	**(468)**
If the NTD strengthens against the USD	**(5)**	**468**
Year ended 31 December 2018		
If the RMB weakens against the USD	5	43,236
If the RMB strengthens against the USD	(5)	(43,236)
If the NTD weakens against the USD	5	1,969
If the NTD strengthens against the USD	(5)	(1,969)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

MAXIMUM EXPOSURE A

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

LIQUIDITY RISK

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2019

	On demand or within one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
Trade and bills payables	**240,158**	**–**	**–**	**240,158**
Financial liabilities included in other payables and accruals	**326,742**	**–**	**–**	**326,742**
Interest-bearing bank and other borrowings	**290,318**	**337,502**	**37,545**	**665,365**
	857,218	**337,502**	**37,545**	**1,232,265**

31 December 2018

	On demand or within one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
Trade and bills payables	85,309	–	–	85,309
Financial liabilities included in other payables and accruals	256,268	–	–	256,268
Interest-bearing bank and other borrowings	173,351	361,315	71,626	606,292
	514,928	361,315	71,626	947,869

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

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

CAPITAL MANAGEMENT *(CONTINUED)*

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2019 RMB'000	2018 RMB'000
Interest-bearing bank and other borrowings (note 25)	**609,389**	528,018
Less: Cash and cash equivalents	**2,301,092**	958,990
Net debt	**(1,691,703)**	(430,972)
Equity attributable to owners of the parent	**4,000,415**	1,802,549
Capital and net debt	**2,308,712**	1,371,577
Gearing ratio	**N/A***	N/A*

As at 31 December 2019 and 31 December 2018, the amount of the Group's cash and cash equivalents exceeded the interest-bearing bank and other borrowings. As such, no gearing ratio as at 31 December 2019 and 31 December 2018 was presented.

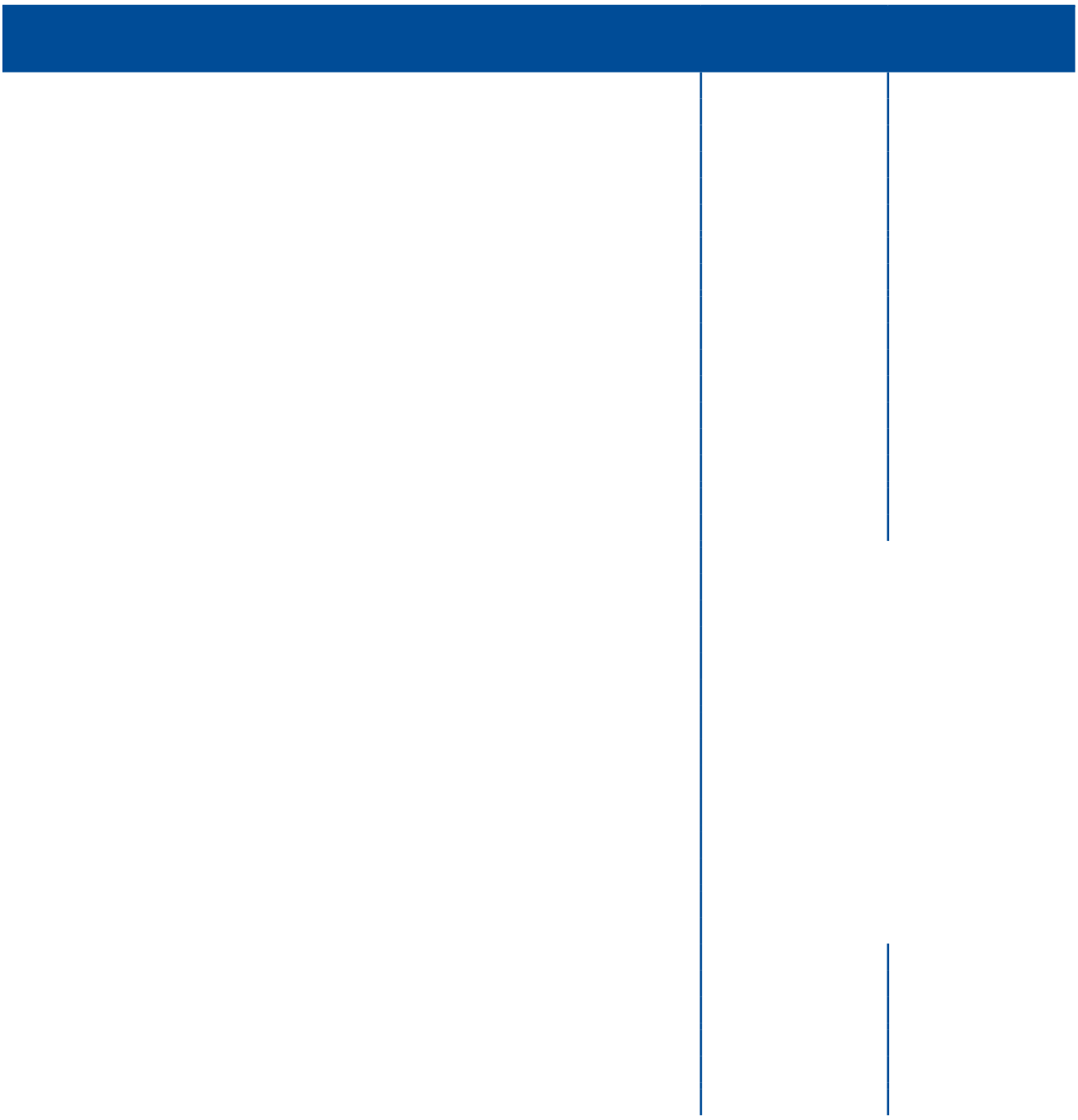
39. EVENTS AFTER THE REPORTING PERIODS

Since the outbreak of the Novel Coronavirus (COVID-19) disease in China, ongoing prevention and control measures have been carried out throughout the whole country. The epidemic will impact business operations of certain industries as well as the overall economy. Therefore, the Company's operations and revenue may be affected to a certain extent depending on the effects of the prevention and control measures, duration of the outbreak and implementation of various policies.

The Company will closely monitor the situation and assess its impacts on our financial position and operating results. As of the date of this report, such assessment is still ongoing.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:



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

	2019 RMB'000	2018 RMB'000
EQUITY		
Share capital	**543,495**	474,433
Reserves (Note)	**4,774,464**	2,317,426
Total equity	**5,317,959**	2,791,859

Note:

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

	Share premium RMB'000	Other reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at 1 January 2018	326,546	17,159	(167,820)	175,885
Loss for the year	–	–	(272,102)	(272,102)
Issue of new shares	2,343,846	–	–	2,343,846
Issue of restricted shares under share award scheme	186,778	(209,528)	–	(22,750)
Equity-settled share-based payments	–	92,547	–	92,547
At 31 December 2018 and 1 January 2019	2,857,170	(99,822)	(439,922)	2,317,426
Loss for the year	–	–	(547,387)	(547,387)
Issue of new shares	2,880,691	–	–	2,880,691
Equity-settled share-based payments	–	123,734	–	123,734
At 31 December 2019	5,737,861	23,912	(987,309)	4,774,464

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DEFINITIONS

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

"Accord"	Accord Healthcare Limited
"Articles of Association"	

"GCP"	good clinical practice
"Global Offering"	the global offering comprises the Hong Kong public offering of 6,469,600 H Shares as well as the international offering of 58,225,800 H Shares initially available for subscription and 4,366,400 H Shares pursuant to the partial exercise of the over-allotment option
"GMP"	good manufacturing practice
"Greater China"	includes Mainland China, Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
"Group", "we", "our" or "us"	the Company and its subsidiaries
"HK$ or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"H Shares"	overseas listed foreign share(s) in the Company's ordinary share capital, with a nominal value of RMB1.00 each, which were listed on the Stock Exchange and traded in Hong Kong dollars
"IFRSs"	International Financial Reporting Standards
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"International Underwriting Agreement"	has the same meaning as set out in the Prospectus
"Jiangsu Fosun"	Jiangsu Fosun Pharmaceutical Sales Co., Ltd., a company incorporated in the PRC with limited liability, and a wholly owned subsidiary of Fosun Pharma
"Jiangsu Wanbang"	Jiangsu Wanbang (Group) Biopharmaceutical Co., Ltd., a company incorporated in the PRC with limited liability, and a wholly owned subsidiary of Fosun Pharma
"KG Bio"	PT Kalbe Genexine Biologics
"Latest Practicable Date"	30 March 2020, being the latest practicable date for ascertaining the contents set out in this report prior to printing
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Date"	25 September 2019, being the date on which the H Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"mAb"	monoclonal antibodies
"MAA"	marketing authorisation application
"Model Code"	the Model Code for Securities Transactions bye2.27 7aS ses f Listing Rules
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"Prospectus"	the prospectus issued by the Company on 12 September 2019 in connection with the Global Offering
"Reporting Period"	the year ended 31 December 2019
"R&D"	research and development
"RMB"	Renminbi, the lawful currency of the PRC
"Rules of Procedures of the Board of Supervisors"	the rules of procedures of the Board of Supervisors of Shanghai Henlius Biotech, Inc.
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary shares with nominal value of RMB1.00 each in the share capital of the Company
"Songjiang First Plant"	the Company's manufacturing facility at Guangfu Lin Road of the Songjiang District of Shanghai
"Songjiang Second Plant"	Henlius Biotech Biopharmaceutical Industrialization Base II, the Company's manufacturing facility with total planned area of 200 mu currently under construction in the Songjiang District of Shanghai
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisors(s) of the Company
"Taiwan Henlius"	Henlix Biotech Co., Ltd. (漢霖生技股份有限公司), a wholly-owned subsidiary of the Company incorporated in Taiwan in October 2010
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US$"	U.S. Dollars, the lawful currency of the U.S.
"Xuhui Facility"	the Company's manufacturing facility at Yishan Road of the Xuhui District of Shanghai

In this annual report, if there is any inconsistency between the Chinese names of the entities, authorities, organisations, institutions or enterprises established in China or the awards or certificates given in China and their English translations, the Chinese version shall prevail.