

RELIABLE QUALITY **AFFORDABLE** INNOVATION

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CORPORATE INFORMATION

DIRECTORS

Executive directors

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

Non-executive directors

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

Independent non-executive directors

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

SUPERVISORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

STRATEGY COMMITTEE

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

Note:

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE[10]

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

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

Wenjie Zhang
Ching Ching Leung (梁晶晶)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

REGISTERED OFFICE IN CHINA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

H SHARES REGISTRAR

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

COMPLIANCE ADVISER

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

AUDITOR AND REPORTING ACCOUNTANTS

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

LEGAL ADVISERS TO THE COMPANY

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

As to PRC law:
Llink Tf003C}FJ0 0 0 1 k/GS3±7.66e021pff-171Road
Xuhui 9/Fo PlacLujiazu7.5 42.5168 Yix Roai) Pil Middlcs 1 scn/GS0 gsj/CS0

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

CHAIRMAN'S STATEMENT

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

With the long-term care and support from all sectors of society, especially the investors, Henlius has made its way to a fruitful end in 2020. As a leading biopharmaceutical company in China, after the successful launch of 漢利康®, the first biosimilar drug in China, we launched 漢曲優® (trastuzumab injection, EU brand name: Zercepac®

CHIEF EXECUTIVE OFFICER'S REVIEW

LEADING A NEW ERA OF INNOVATION THROUGH EXCELLENT COMMERCIALIZATION

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

In the past year, we continued to maintain our first-mover advantage in the core product areas, and completed the launch of commercial operations. After opening a new era of biosimilar drugs in China with 漢利康® in 2019, we successively launched two blockbuster

CHIEF EXECUTIVE OFFICER'S REVIEW

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

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

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

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

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

Chief Executive Officer
Wenjie Zhang

OPERATION HIGHLIGHTS

I. FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2020



II. FIVE YEARS' FINANCIAL SUMMARY

RESULTS

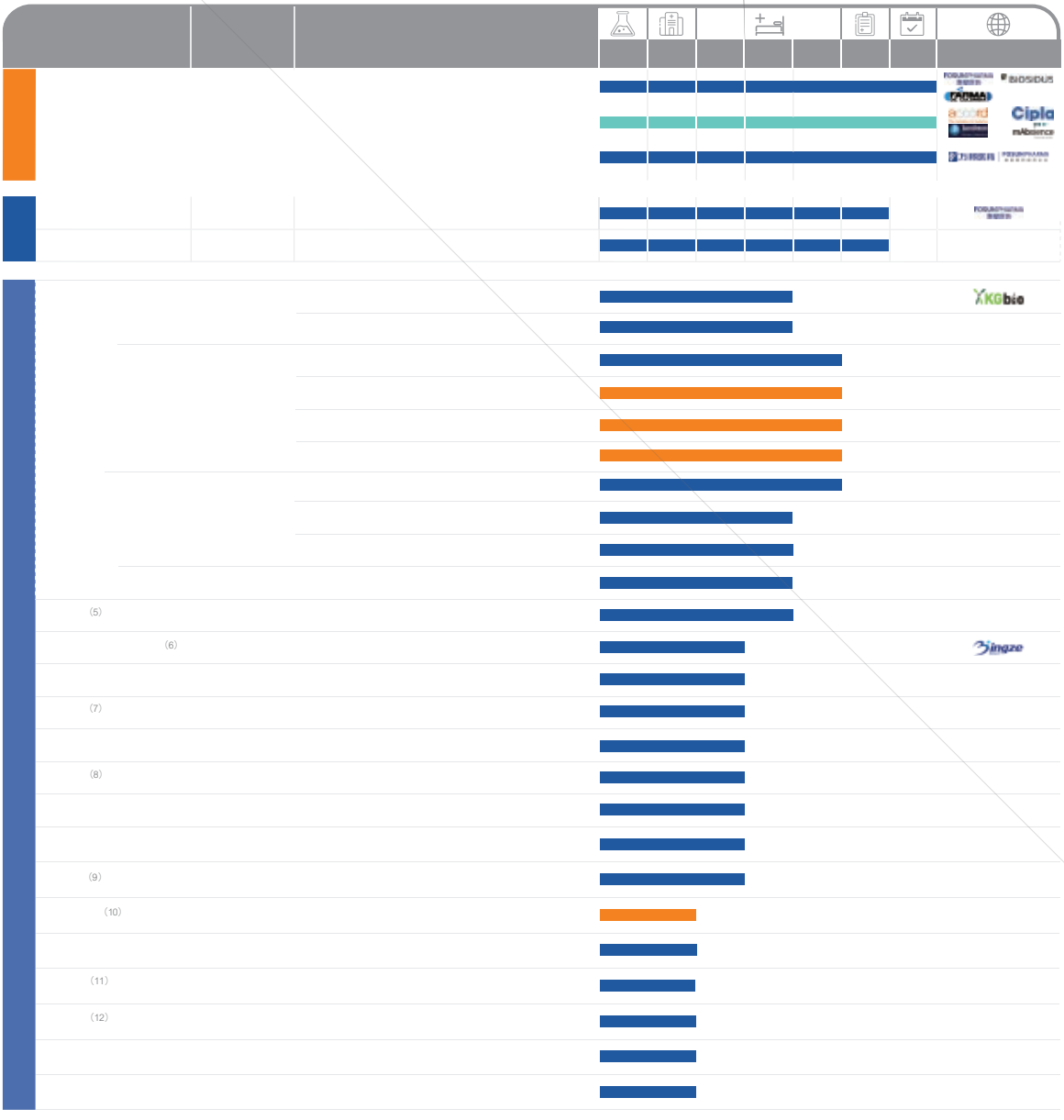
	2020	2019	2018	2017	2016
			RMB' 000		
Revenue	**587,586**	90,929	7,421	33,910	38,109
Loss before tax	**(993,541)**	(874,810)	(500,220)	(379,997)	(93,008)
Income tax expense	**–**	(655)	(4,569)	(4,330)	–
Loss for the year	**(993,541)**	(875,465)	(504,789)	(384,327)	(93,008)
Loss for the year attributable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

ASSETS AND LIABILITIES

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

OPERATION HIGHLIGHTS

IV. OUR PRODUCT PIPELINE



MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

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

(I)

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

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



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

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

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

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

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

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

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

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

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

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

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

3. Commercialization deployment in international markets during the Reporting Period

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

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

In September 2020, the Company and Accord Healthcare Inc. signed a binding summary of terms, based on which the Company agreed to grant a license to Accord Healthcare Inc. (or Intas, its parent company) for the development and commercialization of 漢曲優® (trastuzumab injection, EU brand name: Zercepac®) in the United States and Canada, with the Company to receive a down payment of $27 million, a regulatory milestone payment of up to $13 million, a commercial sales milestone payment of $25 million for each $500 million in cumulative net sales of the

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

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

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

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

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

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

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

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

(III) Sustainable global product development capability

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

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

1. Continuous and efficient advancement on clinical research products

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

Progress of international multi-center clinical research projects

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

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

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

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

Progress of domestic clinical research projects

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(IV) Social responsibility, environmental policies and performance

Always adhering to the philosophy of "Reliable Quality, Affordable Innovation", the Group actively fulfills its responsibilities to stakeholders such as patients, employees, partners, and communities, committed to providing more affordable

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

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

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

(II) Continue to commercialize more products

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

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

Rituximab for rheumatoid arthritis (RA) indications

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

2. License introduction and cooperative development

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

III. FINANCIAL REVIEW

(I) Revenue

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

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

2) Revenue from international market

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

3) Joint development and technology transfer/commercialization licensing revenue

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

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

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

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

(II) Cost of Sales

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

(III) Gross profit

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

(IV) Other income and gains

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

During the Reporting Period, the Group recognised other income and gains of approximately RMB43.7 million.

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

(V) R&D expenditure

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

During the Reporting Period, the Group recognised R&D expenditure of approximately RMB1,710.9 million, representing an increase of approximately RMB304.1 million or approximately 22% as compared with approximately RMB1,406.8 million for the year ended 31 December 2019. The increase in our research and development expenditure was mainly due to: (1) the increases in clinical trial expenses and costs of preclinical studies in line with our expanding pipeline and significant progress of R&D activities; (2) the increases in the number of R&D employees.

(VI) Administrative Expenses

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

During the Reporting Period, the Group recognised administrative expenses of approximately RMB192.6 million, representing an increase of 10% as compared to that of approximately RMB174.8 million for the year ended 31 December 2019. The increase in administrative expenses of the Group was mainly due to: (1) the increase in the number of administrative employees in line with the expansion of the Company's operations and development; (2) the increase in office administrative expenses in conjunction with business development; and (3) the increase in other consultation fees.

(VII) Selling and distribution expenses

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

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

(VIII) Other expenses

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

(IX) Income tax expenses

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

(X) Loss for the year

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

(XI) Liquidity and capital resources

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

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

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

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

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

(XII) Inventories

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

(XIII) Trade receivables

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

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

(XIV) Interest-bearing bank and other borrowings

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

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

(XV) Maturity structure of outstanding debts

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

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

(XVI) Collateral and pledged assets

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

(XVII) Key financial ratios

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

Notes:

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

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

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

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

(XVIII) Material investment

In order to satisfy the expected market demand for drugs in our pipeline, the Group is currently constructing a new manufacturing facility in Shanghai, the Songjiang Second Plant, to significantly increase our overall production capacity. We designed the Songjiang Second Plant to incorporate substantially similar manufacturing equipment, technologies and processes as those being used and to be implemented at our Xuhui Facility. This project is expected to become the monoclonal antibody biological drug research and development, pilot test and production base of the Group when completed, which is conducive to further strengthening the Group's research and development capabilities in the field of biomedicine (especially monoclonal antibody biomedicine) and meeting the global commercial production needs of the Group's biosimilar and bioinnovative products.

The Company is expected to invest not more than RMB1.72 billion for the construction of the Phase I project of the Songjiang Second Plant (first stage and second stage). As at the end of the Reporting Period, the facility is under construction and the subsequent stages of construction will be gradually carried out based on the strategy of the Group. The capital expenditure of the construction of the Songjiang Second Plant will be mainly funded through debt financing.

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

(XIX) Capital commitments and capital expenditures

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

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

(XX) Contingent liabilities

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

(XXI) Material acquisitions and disposals

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

(XXII) Dividends

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

IV. RISK MANAGEMENT

(I) Foreign exchange risk

Up until 31 December 2020, the Group was principally engaged in business in the PRC, in which most of the transactions were settled in RMB with no significant foreign exchange risk. No financial instrument for hedging foreign exchange risk or other hedging purposes was employed.

(II) Exchange rate risk

Currently, the major business operation of the Group is in the PRC and most of the revenue and expenses are settled in RMB, which is the Group's reporting currency. With the acceleration of the Group's development in overseas markets, it is expected that the sales revenue denominated in USD and Euro will increase in the future. Fluctuations in exchange rates may adversely affect the Group's cash flows, revenues, earnings and financial position.

(III) Potential risks

1. Market Risk

The biologics market is highly competitive, and the Group's existing commercialized products and products that may be commercialized in the future face competition from pharmaceutical companies around the world in respect of various factors such as treatment indication, drug novelty, drug quality and reputation, breadth of drug portfolio, manufacturing and distribution capacity, drug price, coverage and depth of customer, consumer behaviour and supply chain relationships. The Group's ability to remain competitive depends to a large extent on our ability to innovate, develop and promote new products and technologies that meet market needs in a manner to capture market share. At the same time, in October 2020, in the "Response to the Recommendation of No. 6450 of the Third Session of the 13th NPC", the National Healthcare Security Administration stated that centralized volume-based procurement will commence at an appropriate time, after considering the factors of the biosimilar similarity, production capacity and supply chain stability of companies and the clinical substitutability of specific products. Currently, biosimilar is not yet included in the drug application of centralized drug procurement. If any products are included in the centralized volume-based procurement in the future, our rivals (if they are evaluated on equivalence) may also choose to participate in tenders and be included in centralized procurement, hence bringing potential impact on the pricing of the drugs.

2. Business and Operational Risk

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

3. Potential Risks of Novel Coronavirus

After the outbreak of COVID-19, the Group immediately adopted anti-epidemic measures, to secure employees' safety and guarantee to carry out a variety of work duties in an orderly manner. Despite the weakened impact of COVID-19 on the Group's operations in China in the second half of 2020, there are still uncertainties about its impact on China and the world in the future. The epidemic of COVID-19 may have potential impacts on the Group'

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

REPORT OF DIRECTORS

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

PRINCIPAL ACTIVITIES

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

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 are set out in the Consolidated Statement of Profit or Loss on page 78.

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

PROFIT DISTRIBUTION PLAN

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

BUSINESS REVIEW

The business review of the Group for the Reporting Period is set out in the sections headed "Chief Executive Officer's Review" on pages 5 to 6 and "Management Discussion and Analysis" on pages 12 to 36, respectively of this annual report. A discussion on the Company's social responsibility, environmental policies and performance is also set out in "Management Discussion and Analysis". All references herein to other sections or reports in this annual report form part of this Report of the Directors.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

PROPERTY, PLANT AND EQUIPMENT

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

CHARGE ON ASSETS

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

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

SHARE CAPITAL

DIRECTORS

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

Executive directors

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

Non-executive directors

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

Independent non-executive directors

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

SUPERVISORS

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

Ms. Rongli Feng *(Chairman) (appointed on 23 May 2020)*
Mr. Deli Kong
Ms. Junhong Liu *(appointed on 31 December 2020)*
Mr. Yong Zhou *(Chairman) (resigned on 19 February 2020)*
Ms. Kun Dai *(Chairman) (resigned on 23 May 2020)*
Ms. Jingyi Wang *(resigned on 31 December 2020)*

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 65 to 72 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

None of the Directors and Supervisors has an unexpired service contract which is not determinable by the Company within one year

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

Save as disclosed in the section headed "Related Party Transactions"e[illegible]FqBq6f‚QEa¦5(&7256¶)6,*(59,6256¶

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

As at 31 December 2020, none of the Directors/Supervisors and chief executives of the Company has interest and short positions in the shares of the Company, or short positions in the underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO). The interest or long positions of Directors, Supervisors and chief executives of

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

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

Name of Shareholder	Nature of interest and capacity	Class	Number of Shares	Approximate percentage in relevant class of Shares	Approximate percentage in total Shares
Fosun New Medicine	Beneficial owner	Domestic Shares	265,971,569	73.03%	48.94%
Fosun Pharma Industrial Development[1]	Beneficial owner	Domestic Shares	23,873,818	6.56%	4.39%
	Interest in controlled entity	Domestic Shares	265,971,569	73.03%	48.94%
Fosun Pharma[2]	Interest in controlled entity	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	12,298,639	7.53%	2.26%
Fosun High Tech[3]	Interest in controlled entity	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	12,298,639	7.53%	2.26%
Fosun International[4]	Interest in controlled entity	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	12,298,639	7.53%	2.26%
FHL[5]	Interest in controlled entity	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	12,298,639	7.53%	2.26%
FIHL[6]	Interest in controlled entity	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	12,298,639	7.53%	2.26%
Guangchang Guo[7]	Interest in controlled entity	Domestic Shares	289,845,387	79.59%	53.33%
		H Shares	12,298,639	7.53%	2.26%
Fosun Industrial	Beneficial owner	H Shares	9,106,300	5.57%	1.68%
	Security interest	H Shares	3,192,339	1.95%	0.59%
Al Rayyan Holding LLC	Beneficial owner	H Shares	11,370,960	6.96%	2.09%
Qatar Holding LLC[8]	Interest in controlled entity	H Shares	11,370,960	6.96%	2.09%
Qatar Investment Authority[8]	Interest in controlled entity	H Shares	11,370,960	6.96%	2.09%
DIC Holding LLC	Beneficial owner	H Shares	2,842,740	1.74%	0.52%
Qatar Investment Authority (in the capacity of investment manager of DIC Holding LLC)[9]	Interest in controlled entity	H Shares	2,842,740	1.74%	0.52%
Cayman Henlius[10]	Beneficial owner	H Shares	51,877,060	31.74%	9.55%
Wei-Dong Jiang[11]	Beneficial owner	H Shares	686,455	0.42%	0.13%
	Interest in controlled entity	H Shares	51,877,060	31.74%	9.55%
Scott Shi-Kau Liu[12]	Beneficial owner	H Shares	2,410,695	1.48%	0.44%
	Interest in controlled entity	H Shares	51,877,060	31.74%	9.55%

Notes:

Development was deemed to be interested in the0 Dmestic Shares which Fosun New Medicine was interested in.:

PERMITTED INDEMNITY

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

SHARE OPTION SCHEME

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

SHARE AWARD SCHEME

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

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

EQUITY-LINKED AGREEMENTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

DONATIONS

During the Reporting Period, the Group made donations of RMB7.6 million.

CONTINUING CONNECTED TRANSACTIONS

Framework property leasing agreement

On 31 December 2019, the Company entered into a Framework Property Leasing Agreement with Clone High Tech, a wholly-owned subsidiary of Fosun Pharma, pursuant to which, the Group has agreed to lease premises to Clone High Tech for its use as manufacturing facilities, laboratories and/or office buildings from time to time, for a period of three years commencing from 1 January 2020 and ending on 31 December 2022.

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

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

Promotional services agreement

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

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

Sinopharm distribution framework agreement

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

Fosun Pharma (a controlling shareholder of the Company) is directly holding 49% of the interests in Sinopharm Industrial Investment and Sinopharm is a subsidiary of Sinopharm Industrial Investment as at 24 April 2020. Therefore, Sinopharm is connected person of the Company by virtue of being an associate of the CompanyFbeing ny ma (a cont.un PharAcc and cap[The)0.5 Tw 0 -1unontroling pursuant(pursua aHony Kony1.2(the annual Lnt ony Ru wid regulaT1ceutical)6.8ly.PPBe Shapursuurchasme.th5d he Sitory requ(of the)TJ0.018ithraw pursuar ;pØIUQHTB“¥®æþœe

RELATED PARTY TRANSACTIONS

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

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

NON-COMPETITION UNDERTAKING

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

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

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

CONTRACT OF SIGNIFICANCE

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

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

After deduction of listing expenses, the total net proceeds from the Global Offering (including the net proceeds from the partial exercise of the over-allotment option) was approximately HK$3,147.1 million (approximately RMB2,800.9 million). As at the end of the Reporting Period, the proceeds have been used and will continue to be used in accordance with those set out in the Prospectus. Details of the use of proceeds are set out below:

Intended use of proceeds as set out in the Prospectus		Allocation of net proceeds in the proportion as set out in the Prospectus[4]	Amounts utilized as at 31 December 2019 (RMB million)	Amounts utilized during the Reporting Period (RMB million)	Amounts not yet utilized as at 31 December 2020 (RMB million)
(a)	Fund the ongoing clinical trials, regulatory filing and registration for Core Products[1]	approximately 40.0% (RMB1,120.4 million)	262.4	326.5	531.5
	Fund the ongoing clinical trials, regulatory filing and registration for HLX02	approximately 6.0% (RMB168.1 million)	135.7	31.6	0.8(1)(1)umoursic

Notes:

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

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

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

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

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

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

On 26 March 2021, the Board resolved to change in the use of unutilized net proceeds, which amounts to RMB716.5 million of the total net proceeds as of 26 March 2021. The Board considered the research and development project of HLX10 and immuno-oncology therapies and is of the view that such progress would require additional investments. As a result, the unutilized net proceeds for furtherepo

RELATIONSHIP WITH STAKEHOLDERS

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

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

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

The Company believes that its suppliers are equally important in driving quality delivery of its products. It proactively collaborates with its business partners (including suppliers and contractors) to deliver quality sustainable products and services.

REPORT OF THE BOARD OF SUPERVISORS

During the reporting period, in accordance with the Company Law, the Listing Rules and other relevant laws, regulations and the Articles of Association, the Rules of Procedures of the Board of Supervisors and relevant regulations, all members of the Board of Supervisors performed their supervisory functions, carefully and objectively discussed the issues related to the finance and operation of the Company, and earnestly supervised the legality and compliance of Directors

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

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

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

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

In the opinion of the Directors, the Company has complied with all principles and code provisions of the CG Code during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and Supervisors and the Directors and Supervisors have confirmed that they have complied with the Model Code during the Reporting Period.

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

Independent non-executive directors

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

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

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

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

Chairman, chief executive officer and president

During the Reporting Period, Mr. Qiyu Chen was the Chairman of the Board, while Dr. Scott Shi-Kau Liu was the Chief Executive Officer from 1 January 2020 to 30 September 2020. After the resignation of Dr. Scott Shi-Kan Liu as the Chief Executive Officer, Mr. Wenjie Zhang was appointed as the Chief Executive Officer and President. The Chairman of the Board leads and is responsible for the effective functioning of the Board of the Company. The terms of reference of the Chief Executive Officer and the President are set out in the Articles of Association. The Chief Executive Officer and the President are responsible for organizing the formulation and implementation of the Company's strategic plan, annual investment plan, and implementing board resolutions, and responsible for presiding over the Company's production and operation management, organizing and implementing the Company's annual business plan and investment plan, drawing up the setting plan of the Company's internal management organization, basic management systems and regulations.

Independent non-executive directors

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

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

Appointment, removal and re-election of directors

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

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

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

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

Responsibilities, accountabilities and contributions of the board and management

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

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

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

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

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

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

Continuous professional development of directors

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

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

During the Reporting Period, the Company organized training sessions conducted by the lawyer for its Directors. Such training sessions cover a wide range of relevant topics including directors' duties and responsibilities/corporate governance etc. In addition, relevant reading materials including directors' manual/legal and regulatory update/seminar handouts have been provided to the directors for their reference and studying.

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

The records of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors during the Reporting Period are summarized as follows:

Name of Directors	Type of Training [Note]
Executive Directors	
Mr. Wenjie Zhang[(1)]	A&B
Dr. Scott Shi-Kau Liu[(2)]	A&B
Non-executive Directors	
Mr. Qiyu Chen	A&B
Mr. Yifang Wu	A&B
Ms. Xiaohui Guan	A&B
Dr. Aimin Hui	A&B
Mr. Zihou Yan[(3)]	A&B
Mr. Jiemin Fu[(4)]	A&B
Independent Non-executive Directors	
Mr. Tak Young So	A&B
Dr. Lik Yuen Chan	A&B
Dr. Guoping Zhao	A&B
Dr. Ruilin Song	A&B

(1) Mr. Wenjie Zhang was appointed as an executive Director on 19 November 2020.

Audit committee

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

During the Reporting Period, the Audit Committee held a total of 5 meetings for reviewing the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and arrangements for the audit to raise concerns about possible improprieties.

The Audit Committee also held a total of 2 meetings with the external auditors.

Remuneration committee

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

During the Reporting Period, the Remuneration Committee held a total of 4 meetings to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the executive Directors and senior management and other related matters.

Details of the remuneration of the Directors and senior management are set out in note 9 to the financial statements for the year ended 31 December 2020.

Nomination committee

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and fing, procedusnd fing, ’s.V–HV–Q–RI–HFHDQQ he BoarDndtteiy;the Boa:0.

- 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 to which the Board may consider relevant from time to time.

The attendance record of each Director at the Board and Board committee meetings and the annual general meeting of the Company

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

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

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

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

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

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

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

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

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2020.

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

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2020, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 73 to 77.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2020 amounted to RMB3,750,000 and RMB600,000 respectively.

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

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

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

Convening an extraordinary general meeting

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

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

Contact details

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

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

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

Mr. Qiyu Chen (陳啟宇), aged 48, was appointed as a non-executive director of the Company on 15 January 2013 and the chairman of the board of directors on 8 December 2018. Mr. Chen joined Fosun Pharma in April 1994, was appointed as a director in May 2005, and has been served as the chairman of Fosun Pharma from June 2010 to October 2020. Mr. Chen is an executive director of Fosun International since July 2015, a co-president from March 2017 to February 2020, and a co-chief executive officer since February 2020. Mr. Chen has been a non-executive director and a vice chairman of Sinopharm since May 2010 and September 2014, respectively, a director of Beijing Sanyuan Foods Co., Ltd.* (北京三元食品股份有限公司) (Shanghai Stock Exchange stock code: 600429) since March 2015, and the co-chairman of New Frontier Health Corporation (New York Stock Exchange stock code: NFH) since December 2019, a non-executive director of Gland Pharma Limited (stock code of Bombay Stock Exchange Limited and National Stock Exchange of India: GLAND) since October 2020. In addition, Mr. Chen holds directorships in various companies invested by Fosun International and its affiliated companies. Mr. Chen was a non-executive director of Babytree Group (Stock Exchange stock code: 01761) from June 2018 to June 2020, a director of Maxigen Biotech Inc.* (和康生物科技股份有限公司) (Taiwan Stock Exchange stock code: 01783) from December 2015 to November 2017 and a director of Dian Diagnostics Group Co., Ltd.* (迪安診斷技術集團股份有限公司) (Shenzhen Stock Exchange stock code: 300244) from May 2010 to February 2019.

Mr. Chen has been the chairman of China Medical Pharmaceutical Material Association (中國醫藥物資協會), vice president of China Pharmaceutical Innovation and Research Development Association (中國醫藥創新促進會), chairman of Shanghai Biopharmaceutical Industry Association (上海生物醫藥行業協會) and vice chairman of the Shanghai Society of Genetics (上海市遺傳學會). Mr. Chen obtained a bachelor degree in genetics from Fudan University (復旦大學) in the PRC in July 1993 and a master degree of business administration from China Europe International Business School (中歐國際工商學院) in the PRC in September 2005.

Mr. Yifang Wu (吳以芳), aged 51, was appointed as a non-executive director of the Company on 12 June 2015. Mr. Wu joined Fosun Pharma Group in April 2004, and was the senior vice president of Fosun Pharma from July 2014 to January 2016, the senior vice president and chief operating officer of Fosun Pharma from January 2016 to June 2016, the president of Fosun Pharma from June 2016 to October 2020, and has been the chief executive officer since June 2016 and a executive director since August 2016, and he has been the chairman of Fosun Pharma since October 2020. Mr. Wu serves as a non-executive director of Sisram Medical Ltd. (復鋭醫療科技有限公司) (Stock Exchange stock code: 01696) since October 2016, a non-executive director of Gland Pharma Limited (stock code of Bombay Stock Exchange Limited and National Stock Exchange of India: GLAND) since October 2020 and chairman of the board of supervisors of Sinopharm since September 2020.

Prior to joining Fosun Pharma Group, Mr. Wu has been a technician, director, production officer, finance director, assistant to director of Xuzhou Biochemical Pharmaceutical Factory* (徐州生物化學製藥廠), a deputy director of Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant* (徐州（萬邦）生物化學製藥廠), the deputy general manager of Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd.* (徐州萬邦生化製藥有限公司) and Jiangsu Wanbang Biopharmaceutical Co., Ltd.* (江蘇萬邦生化醫藥股份有限公司), the president

Mr. Zihou Yan (晏子厚), aged 57, has been appointed as the non-executive director of the Company since 19 February 2020. Mr. Yan has been the senior vice president of Fosun Pharmaceutical Industry Development since January 2019. Previously, Mr. Yan served as a secretary of the CPC Committee and deputy head of Chengdu Institute of Biological Products Co., Ltd.* (成都生物製品研究所有限責任公捷孕@支れ趾掖嫫酰咫旭豁剁有 ；

Dr. Lik Yuen Chan (陳力元), aged 52, was appointed as an independent non-executive director of the Company on 2 September 2019. Dr. Chan is a world famous academic in liver diseases with extensive achievement and recognition in clinical practice and research teaching. Dr. Chan has served various positions in the Chinese University of Hong Kong from 2002 to 2021, including a director of the centre of liver health, associate dean of external affairs of the faculty of medicine and a professor of the Internal Medicine Department and the Department of Medicine and Therapeutics. Dr. Chan Joined Union Hospital of Hong Kong in November 2020 and served as the vice president and manager of Internal Medicine Department.

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

Dr. Guoping Zhao (趙國屏), aged 72, was appointed as an independent non-executive director of the Company on 2 SeptemberCeTc -nt h

Dr. Ruilin Song (宋瑞霖)

BOARD OF SUPERVISORS

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

Mr. Deli Kong (孔德力), aged 46, was appointed as a supervisor of the Company on 30 August 2016. Mr. Kong worked at Fosun Pharma from June 2005 to December 2012, with his last position as a patent affairs senior officer. Mr. Kong has been working with Fosun Pharma Industrial since January 2013 and successively served as the senior researcher, deputy director, assistant to head of research institute, minister of policy and information research centre and deputy head of the research institute and minister of policy and information research centre and the vice president and the executive vice president of the global R&D centre. Prior to joining the Fosun

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SENIOR MANAGEMENT OF THE GROUP

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

Mr. Xinjun Guo (郭新軍), aged 50, was the vice president and secretary of the Board of the Company from February 2010 to March 2019, and has been the senior vice president and secretary of the Board of the Company since March 2019. Mr. Guo was appointed as the director of Henlius Pharmaceutical (漢霖醫藥) and Henlius Biopharmaceutical (漢霖製藥) since November 2020, and served as the Chief Executive Officer and President of Henlius Pharmaceutical (漢霖醫藥) since March 2021. Prior to joining the Group, Mr. Guo has previously served as a researcher, project manager, research manager and chief engineer of Hangzhou Jiuyuan Gene Engineering Co., Ltd.* (杭州九源基因工程有限公司) from October 1993 to March 2000; a director and deputy general manager of Hangzhou Taishi Biotechnology Co., Ltd.* (杭州泰士生物科技有限公司) from April 2000 to December 2003; secretary of the board of directors and deputy general manager of Zhejiang Cifu Pharmaceutical Co., Ltd.* (浙江賜富醫藥有限公司) from January 2004 to May 2009; chief engineer at Shanghai Clone High Technology Co., Ltd.* (上海克隆高技術有限公司) (now known as Shanghai Kaimao Bio-Pharmaceutical Co., Ltd.* (上海凱茂生物醫藥有限公司)) from May 2009 to December 2009.

Mr. Guo has many years of experience in biopharmaceutical R&D and industrialization, and is familiar with various domestic laws and regulations. He has been involved in the development of a Category II new drug that is the first listed recombinant human granulocyte colony-stimulating factor (rhG-CSF) injection in China. He was awarded Outstanding Technology Development Talent of Hangzhou, Second Prize for Science and Technology Progress Award of Zhejiang Province, First Prize for Science and Technology Progress Award of Hangzhou and Shanghai May 1st Labour Medal. Mr. Guo is the vice-chairman of Shanghai Biopharmaceutics Industry Association and the vice director of the Monoclonal Antibody Drug Professional Committee. Mr. Guo received his bachelor's degree from Genetics and Genetic Engineering Department of Fudan University (復旦大學) in China in July 1993, and a master's degree of business administration from Zhejiang University (浙江大學

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
22/F

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter

KEY AUDIT MATTERS *(CONTINUED)*

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

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lawrence K. W. Lau.

Ernst & Young
Certified Public Accountants
Hong Kong
26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

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

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

Zhang Wenjie
Chief Executive Officer and President
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020



CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020



NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

1. CORPORATE AND GROUP INFORMATION

Shanghai Henlius Biotech, Inc. (the "Company") is a joint stock company with limited liability established in the People'

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

Information about subsidiaries *(CONTINUED)*

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

** This entity was liquidated in June 2020.

2.1 BASIS OF PREPARATION

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION *(CONTINUED)*

Basis of consolidation *(CONTINUED)*

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

(CONTINUED)

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

(CONTINUED)

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment and depreciation

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

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

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

Plant and machinery	9.5%-19%
Motor vehicles	19%
Office and other equipment	9.5%-19%
Electronic equipment	9.5%-19%
Leasehold improvements	10%-20%

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Research and development costs *(CONTINUED)*

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

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

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

Deferred development costs are stated at cost less any impairment losses and will be transferred to medicine licences after such medicine getting the medicine licences from the related authorities.

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Land	50 years
Plant and machinery	5 to 10 years

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases *(CONTINUED)*

Group as a lessee *(CONTINUED)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial assets *(CONTINUED)*

Initial recognition and measurement *(CONTINUED)*

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

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits

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'

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Cash and cash equivalents

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

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

Provisions

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

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(CONTINUED)*

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(CONTINUED)*

Revenue from contracts with customers *(CONTINUED)*

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(CONTINUED)*

Research and development service *(CONTINUED)*

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

Revenue from other sources

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

Other income

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

Contract assets

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

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payments

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

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

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

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

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

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

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

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

Other employee benefits

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Other employee benefits *(CONTINUED)*

Accommodation benefits

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

Borrowing costs

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

Foreign currencies

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Revenue from contracts with customers

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

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

Judgements *(CONTINUEDONTINUED ! E*

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

Estimation uncertainty

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

Provision for expected credit losses on receivables

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

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

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

Leases – Estimating the incremental borrowing rate

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

Net realisable value of inventories

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

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

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

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

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

5. REVENUE

5. REVENUE *(CONTINUED)*

Revenue from contracts with customers *(CONTINUED)*

(b) Performance obligations

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

Sale of biopharmaceutical products

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

The License

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

Research and development services

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

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

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

The remaining performance obligations expected to be recognised after one year mainly relate to the transaction prices allocated to the License and research and development services. The revenue from the License is expected to be

7. LOSS BEFORE TAX

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

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

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

8. FINANCE COSTS

An analysis of finance costs is as follows:

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

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

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



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

(b) Executive directors, non-executive directors, supervisors and the chief executives

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Share award scheme RMB'000	Total remuneration RMB'000
2020						
Executive directors						
Dr Scott Shi-Kau Liu[1]	–	–	–	–	–	–
Mr Wenjie Zhang[2]	–	–	–	–	–	–
	–	–	–	–	–	–

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

(b) Executive directors, non-executive directors, supervisors and the chief executives *(CONTINUED)*

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

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

(b) Executive directors, non-executive directors, supervisors and the chief executives *(CONTINUED)*

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

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

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

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

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

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

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

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

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

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

10. FIVE HIGHEST PAID EMPLOYEES

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

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

10. FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

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

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

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

11. INCOME TAX

The provision for Chinese Mainland current income tax is based on the statutory rate of 25% (2019: 25%) of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain group entities in Chinese Mainland, which are taxed at preferential rates of 15%.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. The provision for current income tax of Taiwan Henlius and Hengenix, is based on the statutory rates of 20% and 29.84%, respectively (2019: 19% and 29.84%, respectively), for the year ended 31 December 2020.

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

11. INCOME TAX *(CONTINUED)*

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

The calculation of the basic loss per share amounts is based on the loss attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 529,574,066 (2019: 497,157,841) in issue during the year, as adjusted to reflect the rights issue during the year.

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

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

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

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

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

15. INTANGIBLE ASSETS

	Non-patent technologies RMB'000	Office software RMB'000	Deferred development costs RMB'000	Medicine license RMB'000	Total RMB'000
31 December 2020					
Cost at 1 January 2020, net of accumulated amortisation	**48,921**	**14,242**	**1,775,660**	**336,326**	**2,175,149**
Additions	**–**	**10,522**	**859,303**	**–**	**869,825**
Disposals	**–**	**–**	**(65,388)**	**–**	**(65,388)**
Transfers	**–**	**–**	**(1,100,815)**	**1,100,815**	**–**
Amortisation during the year	**–**	**(2,342)**	**–**	**(34,816)**	**(37,158)**
Exchange rate fluctuation	**–**	**26**	**–**	**–**	**26**
At 31 December 2020:	**48,921**	**22,448**	**1,468,760**	**1,402,325**	**2,942,454**
At 31 December 2020					
Cost	**48,921**	**27,714**	**1,468,760**	**1,451,673**	**2,997,068**
Accumulated amortisation	**–**	**(5,266)**	**–**	**(49,348)**	**(54,614)**
Net carrying amount	**48,921**	**22,448**	**1,468,760**	**1,402,325**	**2,942,454**
31 December 2019					
Cost at 1 January 2019, net of accumulated amortisation	48,921	6,070	1,327,581	–	1,382,572
Additions	–	9,899	798,937	–	808,836
Transfers	–	–	(350,858)	350,858	–
Amortisation during the year	–	(1,587)	–	(14,532)	(16,119)
Exchange rate fluctuation	–	(140)	–	–	(140)
At 31 December 2019:	48,921	14,242	1,775,660	336,326	2,175,149
At 31 December 2019					
Cost	48,921	17,166	1,775,660	350,858	2,192,605
Accumulated amortisation	–	(2,924)	–	(14,532)	(17,456)
Net carrying amount	48,921	14,242	1,775,660	336,326	2,175,149

15. INTANGIBLE ASSETS *(CONTINUED)*

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

Non-patent technologies

The recoverable amounts of the non-patent technologies were determined based on the fair value less costs of disposal, and the fair values of non-patent technologies were determined using the relief from the royalty method taking into account the nature of the asset, using cash flow projections based on financial budget approved by the management, covering the economic life of corresponding biopharmaceutical products and the growth rate used to extrapolate the cash flows beyond the financial budget period is 3% (2019: 3%), which is close to the long-term inflation rate. The fair value measurement hierarchy of the non-patent technologies was level 3. Other key assumptions to the valuation model used:

	31 December 2020	31 December 2019
Discount rates	**16.00%**	17.03%
Royalty rates	**5.00%**	5.00%

Discount rates — The discount rates used reflect specific risks relating to non-patent technologies.

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

Deferred development costs

The recoverable amounts of the deferred development costs were determined based on the fair value less costs of disposal, and the fair value of the deferred development costs was determined using the multi-period excess earnings method taking into account the nature of the assets, using cash flow projections based on financial budget approved by the management, covering the economic life of corresponding biopharmaceutical products. The fair value measurement hierarchy of the deferred development costs was level 3. Other key assumptions to the valuation model used are listed as follows:

	31 December 2020	31 December 2019
Discount rates	**16.00%-17.00%**	17.75%-18.55%
Contributory asset charges	**1.10%-1.51%**	2.03%-2.42%

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

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

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

16. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

31 December 2020

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

31 December 2019

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

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

16. LEASES *(CONTINUED)*

The Group as a lessee *(CONTINUED)*

(b) Lease liabilities

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

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

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

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

(c) The amounts recognised in profit or loss in relation to leases are as follows:

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

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 31(c) and 33(b), respectively, to the financial statements.

17. OTHER NON-CURRENT ASSETS

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

18. INVENTORIES

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

19. TRADE RECEIVABLES

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

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

At 31 December 2020, the Group's trade receivables with the amount of RMB4,300,000 (2019: RMB5,304,000) were pledged as security for the Group's interest-bearing bank and other borrowings, as further detailed in note 25 to the financial statements.

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

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

19. TRADE RECEIVABLES *(CONTINUED)*

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

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

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

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

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

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

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

22. TRADE AND BILLS PAYABLES

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

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

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

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

23. OTHER PAYABLES AND ACCRUALS

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

Notes:

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

24. CONTRACT LIABILITIES

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

	2020 RMB'000	2019 RMB'000
Short-term advances received from customers		
Sales of biopharmaceutical products	**13**	31

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						

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

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank borrowings and other borrowings repayable:		
Within one year	**1,116,445**	240,697
In the second year	**37,627**	174,133
In the third to fifth years, inclusive	**209,319**	16,297
Beyond five years	**177,251**	–

26. DEFERRED TAX

28. SHARE CAPITAL

Shares



30. SHARE AWARD SCHEME *(CONTINUED)*

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

The aggregate fair value of the shares granted amounted to approximately RMB307,125,000 (RMB13.50 per share), and the fair value is determined by an external valuer using the discounted cash flow model taking into account the terms and conditions upon which the restricted shares were granted.

The following table lists the inputs to the valuation model used:

	14 April 2018
Discount rates (%)	16.14%
Long-term growth rate (%)	3.00%

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Long-term growth rate – The basis used to determine the value assigned to the long-term growth rate is the forecast price indices during the budget year from where the biopharmaceuticals are located.

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

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

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

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

Regarding the 2018 Share Award Scheme and Amendments to the 2018 Share Award Scheme, the Group has recognised expenses of RMB28,161,000, deferred development costs of RMB9,024,000, cost of sales of RMB2,618,000, inventories of

30. SHARE AWARD SCHEME *(CONTINUED)*

2020 Share Award Scheme

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

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

Type of eligible participants	% of conditional shares	Unlocking date	% of unlocked conditional shares
1	100%	30 April 2021	60%
		30 April 2022	20%
		30 April 2023	20%
2	100%	30 April 2021	20%
		30 April 2022	25%
		30 April 2023	55%

As for restricted shares, the conditions for releasing the restrictions comprised two parts, namely the Company achieving certain milestones in respect of its products and the participants passing annual performance review. The percentage of shares in respect of which the restrictions may be released depends on the achievement of those conditions.

All of the eligible participants have accepted the granted shares by signing off the offer letters. The 2020 Share Award Scheme shall be valid from the Date of Grant of the shares to the date on which all the restricted shares granted have been unlocked or otherwise repurchased and cancelled.

The following restricted shares were outstanding under the 2020 Share Award Scheme during the year:

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

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

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

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

(b) Changes in liabilities arising from financing activities:

	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Interest payable included in other payables and accruals RMB'000
2020			
At 1 January 2020	**431,127**	**178,262**	**3,920**
New leases	**–**	**166,035**	**–**
Changes from financing cash flows	**1,107,707**	**(57,258)**	**(28,338)**
Disposals	**–**	**(9,973)**	**–**
COVID-19-related rent concessions from lessors	**–**	**(81)**	**–**
Foreign exchange movement	**(577)**	**(240)**	**–**
Interest expense	**2,385**	**16,230**	**25,090**
At 31 December 2020	**1,540,642**	**292,975**	**672**
2019			
At 1 January 2019	336,076	191,942	2,824
New leases	–	18,171	–
Changes from financing cash flows	95,051	(43,950)	(35,112)
Interest expense	–	12,099	36,208
At 31 December 2019	431,127	178,262	3,920

(c) Total cash outflow for leases

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

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

32. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bills payable and for the bank and other borrowings are included in notes 21 and 25, respectively, to the financial statements.

33. COMMITMENTS

(a) The group had the following capital commitments at the end of the reporting period:

	2020 RMB'000	2019 RMB'000

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Name and relationships of the related parties *(CONTINUED)*

Name	Relationship with the Group
Chongqing Fuchuang Pharmaceuticals Research Co., Ltd.* ("重慶復創醫藥研究有限公司") ("Chongqing Fuchuang")	Fellow subsidiary
Fosun Pharma USA Inc ("Fosun USA")	Fellow subsidiary
Gland Pharma Limited ("Gland Pharma")	Fellow subsidiary
Shanghai Xin Shihua Investment Management Co., Ltd.* ("上海新施華投資管理有限公司") ("Xin Shihua")	Fellow subsidiary
Shanghai Fudehui Trading Co., Ltd.* ("上海復得惠貿易有限公司") ("Shanghai Fudehui")	Fellow subsidiary
Shanghai Bohao Laboratory Co., Ltd.* ("上海伯豪醫學檢驗所有限公司") ("Shanghai Bohao")	Fellow subsidiary
Shanghai Old Temple Gold Co., Ltd.* ("上海老廟黃金有限公司") ("Old Temple Gold")	Fellow subsidiary
Shanghai Yilian Enterprise Management Co., Ltd.* ("上海一鏈企業管理有限公司") ("Shanghai Yilian")	Fellow subsidiary
Shanghai Old Town God's Temple Food Sales Co., Ltd.* ("上海老城隍廟食品銷售有限公司") ("Old Town God's Temple")	Fellow subsidiary
Shanghai Zhiqia Information Technology Service Co., Ltd.* ("上海智洽信息科技服務有限公司") ("Shanghai Zhiqia")	Fellow subsidiary
Beijing Highland Property Management Co., Ltd.* ("北京高地物業管理有限公司") ("Beijing Highland")	Fellow subsidiary
Kuyi International Travel Service (Shanghai) Co., Ltd.* ("酷怡國際旅行社(上海)有限公司") ("Kuyi Travel")	Fellow subsidiary
Shanghai Xingfu Enterprise Management Consulting Co., Ltd.* ("上海星服企業管理諮詢有限公司") ("Shanghai Xingfu")	Fellow subsidiary
Sinopharm Group Co., Ltd. and its subsidiaries ("國藥控股股份有限公司"及其子公司") ("Sinopharm")	Associate of the ultimate parent company
Chongqing Pharmaceutical (Group) Co., Ltd. and its subsidiaries ("重慶醫藥(集團)股份有限公司"及其子公司) ("Chongqing Pharma")	Associate of the ultimate parent company
Yong'an Property Insurance Co., Ltd.* ("永安財產保險股份有限公司") ("Yong'an Property")	Associate of the ultimate holding company
Fosun United Health Insurance Co., Ltd.* ("復星聯合健康保險股份有限公司") ("Fosun United")	Associate of the ultimate holding company

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Transactions with related parties

	Notes	2020 RMB'000	2019 RMB'000
Licensing revenue provided to related parties			
Fosun Pharma Industrial Development	(i)	**10,398**	8,578
Jiangsu Wanbang	(i)	**359**	–
		10,757	8,578
Services provided to related parties			
Fosun Pharma Industrial Development	(ii)	**154**	236
Kai Mao Bio-pharma	(ii)	**37**	–
Chongqing Fuchuang	(ii)	**–**	69

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Transactions with related parties *(CONTINUED)*

Purchase of SAP software from Fosun Pharma	(iv)	**3,326**	–
Purchase of right-of-use assets from Clone High Tech	(iv),(v)	**41,996**	3,723
Rental services provided by			
Kai Mao Bio-pharma	(iv)	**57**	68
Xin Shihua	(iv)	**35**	–
		92	68

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Outstanding balances with related parties

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

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Outstanding balances with related parties *(CONTINUED)*

Notes:

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

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

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

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

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

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

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

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

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

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at the end of the reporting period was assessed to be insignificant.

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

Fair value hierarchy

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

Liabilities for which fair values are disclosed:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings (non-current portion) (other than lease liabilities)	–	419,423	–	419,423

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings (non-current portion) (other than lease liabilities)	–	190,313	–	190,313

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group'

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

Foreign currency risk

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and RMB exchange rate and in the USD and NTD exchange rate, with all other variables held constant, of the Group's loss before tax due to changes arising on fair values of monetary assets and liabilities and the Group's equity excluding the impact of retained earnings due to the changes of exchange fluctuation reserve of certain overseas subsidiaries whosrTr Td(')Tj0.172 -0.0osrcie USD other

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

Credit risk

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

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is

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

Credit risk *(CONTINUED)*

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

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

Liquidity risk

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

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

31 December 2020

	On demand or within one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
Trade and bills payables	**298,952**	**–**	**–**	**298,952**
Financial liabilities included in other payables and accruals	**162,401**	**–**	**–**	**162,401**
Lease liabilities	**83,738**	**195,827**	**75,399**	**354,964**
Interest-bearing bank and other borrowings (excluding lease liabilities)	**1,139,042**	**278,084**	**218,816**	**1,635,942**
	1,684,133	**473,911**	**294,215**	**2,452,259**

31 December 2019

	On demand or within one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
Trade and bills payables	240,158	–	–	240,158
Financial liabilities included in other payables and accruals	326,742	–	–	326,742
Lease liabilities	55,052	154,705	24,964	234,721
Interest-bearing bank and other borrowings (excluding lease liabilities)	249,024	203,988	–	453,012
	870,976	358,693	24,964	1,254,633

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

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

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

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

39. EVENTS AFTER THE REPORTING PERIOD

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

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

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

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

Note:

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

	Share premium RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2019	2,857,170	(99,822)	(439,922)	2,317,426
Loss for the year	–	–	(547,387)	(547,387)
Issue of new shares	2,880,691	–	–	2,880,691
Equity-settled share-based payments	–	123,734	–	123,734
At 31 December 2019 and 1 January 2020	**5,737,861**	**23,912**	**(987,309)**	**4,774,464**
Loss for the year	**–**	**–**	**(640,193)**	**(640,193)**
Unlocking of restricted shares (note 30)	**216,375**	**(68,758)**	**–**	**147,617**
Equity-settled share-based payments (note 30)	**–**	**46,051**	**–**	**46,051**
At 31 December 2020	**5,954,236**	**1,205**	**(1,627,502)**	**4,327,939**

41. APPROVAL OF THE FINANCIAL STATEMENTS

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

DEFINITIONS

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

"2018 Share Award Scheme"	the share award scheme adopted pursuant to the original operating procedure of the employee equity incentive scheme signed in April 2018
"2020 Participants"	employees of the Company or its subsidiaries who will participate in the 2020 Share Award Scheme
"2020 Share Award Scheme"	the share award scheme adopted pursuant to the operating procedure of the 2020 employee equity incentive scheme
"Accord"	Accord Healthcare Limited
"Administrative Framework Agreement"	the framework agreement dated 24 June 2020 entered into between Fosun High Tech and the Company relating to the procurement of services and products for administrative purpose between the Remaining Fosun High Tech Group and the Group, as renewed on 31 December 2020
"Articles of Association"	the articles of association of the Company
"Ascentage Pharma"	Ascentage Pharma Group International
"Binacea"	Binacea pharma Inc., a limited liability company incorporated in the Cayman Islands in February 2020
"Biopharmaceutical Products"	the self-developed biopharmaceutical products (except for HLX01 and HLX03, the distribution of which is governed by the HLX01 Agreement and the HLX03 Agreement, respectively) of the Group
"Biosimilar Guidelines"	the Guidelines for the R&D and Evaluation of Biosimilars (Trial) (2018
rd"	the board of Directors of the Company
man Henlius"	Henlius Biopharmaceuticals, Inc., a company established in Cayman Islands on 23 February 2009, and a substantial shareholder
Code"	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
MP"	The committee for Medicinal Products for Human Use
e High Tech"	Shanghai Clone High Technology Development Co., Ltd. (上海克隆高科技發展有限公司), a limited liability company incorporated under the laws of the PRC and a wholly-owned subsidiary of Fosun
enlius Biotech, Inc., a joint stock company incorporated under the laws of the PRC liability, the H Shares of which are listed on the Main Board of the Stock Exchange	
ny Law of the PRC, as revised or supplemented from time to time	
(s) of the Company	
hares issued by the Company in the PRC with a nominal value of RMB1.00 each, ubscribed for and paid for in RMB	
Medicines Agency	
stment and Zhuhai Essex	
Technology) Limited",	a company incorporated in Cayman ch are listed on the Stock Exchange

“Essex Investment”

DEFINITIONS

"Henlius Pharmaceutical"	Shanghai Henlius Biologics Co., Ltd.* (上海復宏漢霖生物醫藥有限公司

"Promotional Services Agreement"	the agreement entered into by Henlius Biopharmaceuticals and Jiangsu Fosun on 24 August 2020 in relation to the provision of promotional services by Jiangsu Fosun to the Group, as amended by a supplemental agreement on 31 December 2020
"Prospectus"	

"Songjiang Second Plant"	Henlius Biotech Biopharmaceutical Industrialization Base II, the Company's manufacturing facility with total planned area of 200 mu currently under construction in the Songjiang District of Shanghai
"Supervisor(s)"	the supervisors(s) of the Company
"Taiwan Henlius"	Henlix Biotech Co., Ltd. (漢霖生技股份有限公司), a wholly-owned subsidiary of the Company incorporated in Taiwan in October 2010
"U.S." or "United States"	