君实生物
TopAlliance

上海君實生物醫藥科技股份有限公司
Shanghai Junshi Biosciences Co., Ltd.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock code: 1877

2020
INTERIM REPORT

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

Executive Directors
Mr. Xiong Jun *(Chairman and Legal Representative)*
Dr. Li Ning *(Chief Executive Officer and General Manager)*
Dr. Feng Hui
Mr. Zhang Zhuobing
Dr. Wu Hai
Dr. Yao Sheng

Non-executive Directors
Mr. Tang Yi
Mr. Li Cong
Mr. Yi Qingqing
Mr. Lin Lijun

Independent Non-executive Directors
Dr. Chen Lieping
Mr. Qian Zhi
Dr. Roy Steven Herbst
Mr. Chen Xinjun[1]
Mr. Zhang Chun[2]
Dr. He Jia[3]

Supervisors
Mr. Wu Yu *(chairman of the Board of Supervisors)*
Ms. Nie Anna
Ms. Li Ruolin
Mr. Liu Jun
Ms. Wang Pingping

Audit Committee
Mr. Zhang Chun[2] *(Chairman)*
Mr. Chen Xinjun[1]
Mr. Qian Zhi
Mr. Li Cong

Nomination Committee
Mr. Chen Xinjun[1] *(Chairman)*
Mr. Xiong Jung
Mr. Qian Zhi

Remuneration and Appraisal Committee
Mr. Zhang Chun[2] *(Chairman)*
Mr. Xiong Jun
Dr. Li Ning
Mr. Chen Xinjun[1]
Mr. Qian Zhi

Strategic committee
Mr. Xiong Jun *(Chairman)*
Dr. Li Ning
Dr. Chen Lieping
Mr. Zhang Chun[2]
Dr. Roy Steven Herbst

Joint company secretaries
Ms. Wong Yik Han
Ms. Chen Yingge

Authorized representatives
Dr. Li Ning
Ms. Chen Yingge

Registered address, headquarters and principal place of business in the PRC
Level 13, Building 2, Nos. 36 and 58, Hai Qu Road, China (Shanghai) Pilot Free Trade Zone, the PRC

Principal place of business in Hong Kong under Part 16 of the Companies Ordinance
Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

H share registrar
Tricor Investor Services Limited
Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

CORPORATE INFORMATION

Legal advisers
Jones Day (as to Hong Kong law)
Jia Yuan Law Offices (as to PRC law)

Auditor
Deloitte Touche Tohmatsu
Certified Public Accountants

Listing
H Shares on Hong Kong Stock Exchange
(Stock code: 01877)
A Shares on STAR Market (Stock code: 688180)

Number of shares (as of date of this interim report)
871,276,500 Shares (including 688,530,000 A Shares and 182,746,500 H Shares)

Board lot of H shares
200 H Shares

Company's website
www.junshipharma.com

Investor relations
Corporate press releases, financial reports and other investor information of the Group are available on the Company's website

[1] Resignation received on 24 July 2020, to be effective upon appointment of a new independent non-executive Director by the Shareholders at a general meeting of the Company
[2] Appointed on 19 June 2020
[3] Resigned with effect from 19 June 2020

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Total revenue reached RMB575 million in the first half year of 2020, representing an 86% increase compared with the first half year of 2019. Apart from the growth of sales of Toripalimab of which gross margin was 90%, sub-licensing income and service income also contributed to the growth of our revenue for the Reporting Period.

- The R&D expenses were RMB709 million in the first half year of 2020, representing an increase of 92% compared with RMB369 million in the corresponding period in 2019, which was primarily due to promising progress of pivotal clinical trials, more R&D collaboration and license-in activities expanding the Company's pipelines to small molecule drugs, antibody drug conjugates (ADC) and JS016.

- The property, plant and equipment ("**PPE**") by the end of June 2020 increased 11% to RMB2,026 million compared with the end of year 2019. The significant growth of the PPE was primarily due to the construction of the Lingang Production Base, and the commencement of Lingang Production Base will enhance the Company's current production capacity by ten times.

- Total comprehensive expense for the Reporting Period was RMB593 million, representing an increase of 105% compared with the first half year of 2019, mainly due to profit generated from Toripalimab sales, service income and sub-licensing income but offset by the increase in R&D expenses and administrative and selling expenses.

BUSINESS HIGHLIGHTS

During the Reporting Period, we achieved significant progress with respect to our product commercialization, clinical trials and pipeline expansion, including:

- The Company's products concentrated on self-developed biological products with original innovation. At the same time, through co-development and technology transfer/license-in, we further expanded our product pipeline. As of the end of the Reporting Period, we had 21 drug candidates, including 19 innovative drugs and 2 biosimilars, covering five major therapeutic areas including malignant tumors, autoimmune diseases, chronic metabolic diseases, neurologic diseases and infectious diseases.

- During the Reporting Period, 15 pivotal registered clinical trials for Toripalimab (trade name: 拓益®(TUOYI®)), the Company's core product, were being conducted, in which 2 pivotal registered clinical trials were applied for NDA to the NMPA and included in the process of priority review, covering a broad spectrum of indications, including: melanoma, urothelial carcinoma ("**UC**"), nasopharyngeal carcinoma ("**NPC**"), non-small cell lung carcinoma ("**NSCLC**"), esophageal carcinoma ("**EC**"), small cell lung carcinoma ("**SCLC**"), triple-negative breast carcinoma ("**TNBC**"), hepatocellular carcinoma ("**HCC**"), gastric carcinoma ("**GC**") and renal cell carcinoma ("**RCC**").

HIGHLIGHTS

- In March 2020, Toripalimab in combination with Axitinib for treatment of mucosal melanoma was granted the orphan-drug designation by the FDA.

- In April and May 2020, the two supplemental NDAs in respect of Toripalimab as a treatment for recurrent/metastatic NPC after failure of second-line and above systemic treatment and for locally advanced or metastatic urothelial carcinoma who received previous treatment were accepted by the NMPA, marking a new stage in the layout of indications in the segmented areas of Toripalimab. The two supplemental NDAs had been included in the process of priority review by the NMPA in July 2020.

- In June 2020, the Company and Merck KGaA ("**Merck**") entered into clinical trial collaboration in respect of the use of Toripalimab in combination with Cetuximab (Erbitux®) for the treatment of recurrent and/or metastatic squamous cell carcinoma of the head and neck.

• The Company's drug candidate TAB004/JS004 (a recombinant humanized anti-BTLA monoclonal antibody for injection) was approved for clinical trials in China by the NMPA, and the first patient was dosed in a Phase I clinical study in April 2020. In addition, its Phase I clinical study in the United States has completed dose-escalation study and entered dose-expansion stage.

• The first subject was dosed in a Phase I clinical study of JS005 (a recombinant humanized anti-IL-17A monoclonal antibody for injection) in China in May 2020. At present, the Phase I clinical study has completed random enrollment.

• In March 2020, the Company and the Institute of Microbiology, Chinese Academy of Sciences ("**IMCAS**") entered into a project cooperation agreement to jointly develop and produce novel coronavirus neutralizing antibody JS016 (a recombinant fully human anti-SARS-CoV-2 monoclonal antibody for injection), an innovative drug for the treatment and prevention of COVID-19.

- In May 2020, the Group and Eli Lilly and Company ("**Lilly**") entered into an agreement to collaborate on research, develop and commercialize potential preventive and therapeutic antibody therapies for COVID-19, and Lilly was granted an exclusive license to conduct research, develop and commercialize JS016 outside Greater China.

- In May 2020, the international authoritative journal "Nature" published the results of JS016 pre-clinical research, which reported for the first time that the neutralizing antibody of SARS-CoV-2 can significantly inhibit novel coronavirus infection in the test on non-human primate rhesus monkeys, showing the dual effect of treatment and prevention with a value for conversion into clinical practices.

HIGHLIGHTS

– In June 2020, JS016 was approved to conduct Phase I clinical trial in China, and the enrollment of subjects in the Phase I clinical trial was completed in July 2020. The international multi-center clinical trial was a randomized, double-blind and placebo-controlled Phase I clinical study, aiming at evaluating the tolerability and safety of single-dose intravenous infusion of JS016 in healthy subjects. It was planned to recruit 40 healthy subjects (including both male and female) as the world's first novel coronavirus neutralizing antibody clinical trial conducted in healthy subjects. We are conducting Phase Ib international multi-center clinical studies for patients with mild/normal novel coronavirus pneumonia. And we expect to commence Phase II/III clinical study for patients with severe and critical novel coronavirus pneumonia as soon as possible. At the same time, the Company will also conduct follow-up studies on groups who are at high risks of the novel coronavirus to evaluate the preventive effect of JS016 on novel coronavirus infection.

After the Reporting Period, we continued to make significant progress in business operations including the followings:

- The Company applied to the Hong Kong Stock Exchange and obtained approval for the dis-application of Rules 18A.09 to 18A.11 of the Hong Kong Listing Rules (the "**Relevant Rules**") to the Company. As a result of the dis-application of the Relevant Rules, the "B" marker ceased to be affixed to the Company's stock name and stock short name from 15 July 2020.

- The Company completed the issue of A Shares. The A Shares of the Company were listed and commenced trading on the STAR Market of the Shanghai Stock Exchange on 15 July 2020.

- The Company entered into a research collaboration and license agreement with Revitope Oncology, Inc. and its wholly-owned subsidiary Revitope Limited (together, "**Revitope**"), pursuant to which the parties will collaborate in the research and development of the next-generation of T-cell engaging cancer immunotherapies that utilize Revitope's proprietary dual-antigen targeting technology platform together with the Company's antibody technology platform. Revitope will be responsible for designing up to 5 unique T-cell immunotherapeutic drugs against targets selected by the Company. The Company will be granted a world-wide exclusive license on products that result from such agreement.

- The Company's recombinant humanized anti-Trop2 monoclonal antibody – Tub196 conjugate for injection (product code: JS108), obtained the Clinical Trial Approval (《藥物臨床試驗批准通知書》) issued by the NMPA.

- The Company and IMPACT Therapeutics, Inc.* (南京英派藥業有限公司) ("**IMPACT Therapeutics**") entered into a joint venture agreement for the formation of a joint venture company (the "**JV Company**"). The JV Company will mainly engage in the R&D and commercialization of small molecule anti-tumor drugs. IMPACT Therapeutics will contribute for its equity interests by way of injection of a PARP inhibitor Senaparib (IMP4297) as an asset within mainland China, Hong Kong and the Macau Special Administrative Region. The Company and IMPACT Therapeutics will each own 50% equity interests in the JV Company. Both parties will cooperate in conducting clinical trials, manufacturing, and commercialization preparations for various indications of the IMP4297 project within the above territory.

HIGHLIGHTS

IFRS

	For the six months ended 30 June		
	2020	2019	Changes
	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited)	
Operating Results			
Revenue	**574,932**	309,306	86
Gross profit	**484,436**	268,727	80
Selling and distribution expenses	**(228,170)**	(110,687)	106
Research and development expenses	**(708,912)**	(368,737)	92
Administrative expenses	**(144,014)**	(93,315)	54
Total comprehensive expense for the period	**(593,273)**	(289,347)	105
Loss per Share			
Basic (RMB yuan)	**(0.76)**	(0.37)	105
Diluted (RMB yuan)	**(0.76)**	(0.37)	105

	At	At	
	30 June	31 December	
	2020	2019	Changes
	RMB'000	RMB'000	%
	(Unaudited)	(Audited)	
Financial Position			
Non-current assets	**2,757,015**	2,511,324	10
Current assets	**1,809,062**	1,911,116	(5)
Total assets	**4,566,077**	4,422,440	3
Non-current liabilities	**830,736**	828,548	–
Current liabilities	**1,336,466**	605,376	121
Total liabilities	**2,167,202**	1,433,924	51
Net assets	**2,398,875**	2,988,516	(20)

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are an innovation-driven biopharmaceutical company with all-round capabilities from innovative drug discovery, clinical research and development on a global scale, large-scale production capacity to commercialization on the full industry chain.

Aiming to develop first-in-class or best-in-class drugs through original innovation and co-development, we have successfully developed a drug candidate portfolio with tremendous market potential with distinguished capability of innovative drug discovery, strong biotechnological R&D capability and large-scale production capacity. Multiple products have milestone significance: JS001, one of our core products, is the first domestic anti-PD-1 monoclonal antibody approved to be marketed in China by the NMPA for the treatment of locally advanced or metastatic melanoma after standard therapy failure; JS002 and UBP1213 are the first anti-PCSK9 monoclonal antibody and anti-BLyS monoclonal antibody, respectively, from a PRC domestic company that obtained IND approval from the NMPA; TAB004/JS004 is the world's first anti-BTLA monoclonal antibody independently developed by the Company, which has obtained clinical trial approvals from the FDA and NMPA and is currently undergoing Phase I clinical trials in China and the United States. We also worked together with domestic scientific research institutions to fight the pandemic this year. The co-developed JS016 is the first novel coronavirus monoclonal neutralizing antibody that has commenced clinical trials in China, contributing to coronavirus prevention and control in China and the world with domestic innovation. As the Company continues to supplement our product pipeline and further explores drug combination therapies, our innovation field will continue to expand to R&D of more types of drugs, including small molecule drugs and antibody drug conjugates (ADCs), as well as the exploration of the next-generation innovative therapies for cancer and autoimmune diseases.

PROGRESS OF PRODUCT PIPELINE

R&D pipeline covering a wide variety of therapeutic areas

Therapeutic Area	Medicine Code	Targets	Indications	Pre Clinical	Phase I	Phase II	Phase III	NDA	Origins of Development	Location of Clinical Trial	Segmentation Stage
Oncology	JS001 (Toripalimab)	PD-1[1]	Melanoma (second-line treatment, monotherapy)			Approved on 17 December 2018			In House	China	NDA approved
			Nasopharyngeal carcinoma (second-line treatment, monotherapy, pivotal trial)[2]			Pivotal registered clinical trial			In House	China	Accepted for NDA
			Urothelial carcinoma (second-line treatment, monotherapy, pivotal trial)[2]			Pivotal registered clinical trial			In House	China	Accepted for NDA
			Melanoma (first-line treatment, monotherapy)			Pivotal registered clinical trial			In House	China	Recruiting
			Nasopharyngeal carcinoma (first-line treatment, combo with chemo)			Pivotal registered clinical trial			In House	International multi-center	Recruited
			Esophagus carcinoma (combo with chemo)			Pivotal registered clinical trial			In House	China	Recruiting
			Triple negative breast carcinoma (combo with albumin-bound paclitaxel)			Pivotal registered clinical trial			In House	China	Recruiting
			Hepatocellular carcinoma (monotherapy, postoperative adjuvant)			Pivotal registered clinical trial			In House	China	Recruiting
			Hepatocellular carcinoma (first-line treatment, combo with Bevacizumab)			Pivotal registered clinical trial			In House	China	Not yet recruited
			Hepatocellular carcinoma (first-line treatment, combo with Lenvatinib)			Pivotal registered clinical trial			In House	China	Recruiting
			Renal cell carcinoma (combo with Axitinib)			Pivotal registered clinical trial			In House	China	Not yet recruited
			EGFR negative non-small cell lung carcinoma (first-line treatment, combo with chemo)			Pivotal registered clinical trial			In House	China	Recruited
			EGFR mutated TKI failed terminal stage non-small cell lung carcinoma (combo with chemo)			Pivotal registered clinical trial			In House	China	Recruiting
			Non-small cell lung carcinoma (neoadjuvant)			Pivotal registered clinical trial			In House	China	Recruiting
			Extensive stage small cell lung carcinoma (combo with chemo)			Pivotal registered clinical trial			In House	China	Recruiting
			Gastric carcinoma (third-line treatment, monotherapy, pivotal trial)			Pivotal registered clinical trial			In House	China	Not yet recruited
			Solid tumors						In House	United States	Recruiting

Notes:

1. For JS001, only pivotal registered trial and ongoing major clinical trials are listed.
2. Second-line treatment of nasopharyngeal carcinoma and second-line treatment of urothelial carcinoma have received conditional approval for Phase II pivotal clinical trial data, and no Phase III clinical trial is required upon approval.

R&D pipeline covering a wide variety of therapeutic areas (continued)

Therapeutic Area	Medicine Code	Targets	Indications	Pre Clinical	Phase I	Phase II	Phase III	NDA	Origins of Development	Location of Clinical Trial	Segmentation Stage
Oncology	JS003	PD-L1	Urothelial carcinoma, melanoma, non-small cell lung cancer, triple negative breast carcinoma, esophageal carcinoma, nasopharyngeal carcinoma, hepatocellular carcinoma, etc.						In House	China	Recruiting
	TAB004/JS004	BTLA	Melanoma, lung cancer, lymphoma Oncology						In House	United States China	Recruiting Recruiting
	JS006	TIGIT	Solid tumors						In House	/	Process development
	JS007	CTLA-4	Lung cancer, melanoma						In House	/	Process development
	JS009	Undisclosed	Undisclosed						In House	/	Optimizing medical elements
	JS011	Undisclosed	Undisclosed						In House	/	Optimizing medical elements
	JS012	Undisclosed	Undisclosed						In House	/	Process development
	JS101	Pan-CDK	Breast cancer						In House	China	Not yet recruited
	JS104	Pan-CDK	Breast cancer						Co-development	/	Process development
	JS105	PI3K-α	Breast cancer, kidney cancer, Hodgkin's lymphoma						Co-development	/	Process development
	JS014	IL-21	Oncology						Co-development	/	Process development
	JS501	VEGF (Avastin biosimilar)	Metastatic colorectal cancer and terminal, metastatic or recurrent non-small cell lung carcinoma						Co-development	China	Recruited
	JS108	Anti-Trop2 mAb-Tub 196 coupling agent	Triple negative breast cancer, small cell lung cancer, pancreatic cancer						Co-development	All Asian countries and areas (except for Japan and Korea)	IND application has been accepted
Metabolic	JS002	PCSK9	Hyperlipidemia						In House	China	Recruited
	JS008	Undisclosed	Undisclosed						In House	/	Selecting medical elements
Auto-immunity	UBP1211	TNF-α (Humira biosimilar)	Rheumatoid arthritis, ankylosing spondylitis, psoriasis arthritis						Co-development	China	Accepted for NDA
	JS005	IL-17A	Psoriatic, ankylosing spondylitis						In House	China	Recruited
	UBP1213	BLyS	Systemic lupus erythematosus						Co-development	China	Preparing for dosage improvement and clinical experiment
Neurologic	JS010	Undisclosed	Undisclosed						In House	/	Process development
Infectious disease	JS016	S protein	COVID-19						Co-development	China (Development rights outside of Greater China are granted to Lilly)	Recruited

Biologics Small molecule drugs

MANAGEMENT DISCUSSION AND ANALYSIS

Our products concentrate on self-developed biological products with original innovation. At the same time, through co-development and technology transfer/license-in, we introduced products that synergize with our own original product pipeline, so as to further expand our product pipeline. As of the end of the Reporting Period, we had 21 drug candidates, including 19 innovative drugs and 2 biosimilars, covering five major therapeutic areas, including malignant tumors, autoimmune diseases, chronic metabolic diseases, neurologic diseases and infectious diseases.

Our diversified drug pipeline covers different R&D stages. One of our core products, JS001 (i.e. Toripalimab, a recombinant humanized anti-PD-1 monoclonal antibody for injection, trade name: 拓益® (TUOYI®)) has been officially launched for sale with approved indication of locally advanced or metastatic melanoma after standard therapy failure. 11 candidates have obtained IND approvals, including: JS001, which is conditionally approved for marketing, has commenced clinical trials for indication expansion and Phase Ib clinical trial in the United States; application for NDA for UBP1211 (a biosimilar of Humira) has been submitted and accepted; JS002 (a recombinant humanized anti-PCSK9 monoclonal antibody for injection) has completed Phase II clinical trial, and initiation of Phase III clinical trial is underway; TAB004/JS004 (a recombinant humanized anti-BTLA monoclonal antibody for injection) is the world's first anti-BTLA monoclonal antibody for injection approved for clinical trial, and has commenced Phase I clinical trials in China and the United States; JS016 (a recombinant fully human anti-SARS-CoV-2 monoclonal antibody for injection) is the first novel coronavirus neutralizing antibody that has commenced clinical trials in China, and the enrollment of subjects in Phase I clinical trial is completed; JS501 (a biosimilar of Avastin), JS003 (a recombinant humanized anti-PD-L1 monoclonal antibody for injection), JS101 (a pan-CDK inhibitor) and JS005 (a recombinant humanized anti-IL-17A monoclonal antibody for injection) have commenced Phase I clinical trials and have completed the enrollment of subjects; UBP1213 (a recombinant humanized anti-BLyS monoclonal antibody for injection) is being prepared for clinical trial; and JS108 (a recombinant humanized anti-Trop2 monoclonal antibody-Tub196 conjugate for injection) has obtained the Clinical Trial Approval（《藥物臨床試驗批准通知書》）issued by the NMPA. 10 candidates are in the preclinical research stage.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Toripalimab Injection (JS001, trade name: 拓益® (TUOYI®))

Our self-developed Toripalimab is the first domestic PD-1 monoclonal antibody successfully launched in the Chinese market, addressing various malignant tumors. It has been supported by two National Major Science and Technology Projects for "Major New Drugs Development" during the "Twelfth Five-Year Plan" and "Thirteenth Five-Year Plan" periods. On 17 December 2018, Toripalimab was conditionally approved for market launch for the treatment of locally advanced or metastatic melanoma after standard therapy failure, and was also recommended under the 2019 edition of the Chinese Clinical Oncology Society (CSCO) Guidelines for the Diagnosis and Treatment of Melanoma. The results of clinical trials show that the objective response rate (ORR) of Toripalimab reaches 17.3%, the disease control rate (DCR) reaches 57.5%, and the 1-year survival rate reaches 69.3%. The marketing approval of this product has positive significance in solving the clinical drug selection for cancer patients in China.

Toripalimab Injection

MANAGEMENT DISCUSSION AND ANALYSIS

In addition to the approved indication for melanoma, more than 30 clinical trials for Toripalimab monotherapy and combo treatments are being conducted worldwide, involving new indications such as nasopharyngeal cancer, urothelial cancer, lung cancer, gastric cancer, esophageal cancer, liver cancer and breast cancer. Among those, 15 pivotal registered clinical trials, and a Phase Ib clinical trial for a variety of solid tumors conducted in the United States, are underway. In April 2020, the supplemental NDA in respect of Toripalimab injection as a treatment for recurrent/metastatic NPC after failure of second-line and above systemic treatment was accepted by the NMPA. In May 2020, the supplemental NDA in respect of Toripalimab injection as a treatment for locally advanced or metastatic UC after systemic treatment was accepted by the NMPA. The above two indications were included in the process of priority review by the NMPA. In the overseas market, in March 2020, Toripalimab in combination with Axitinib for treatment of mucosal melanoma was granted the orphan-drug designation by the FDA, which was beneficial for the subsequent development, registration and commercialization of Toripalimab in the United States. In June 2020, we and Merck, a leading science and technology company, entered into a clinical trial collaboration agreement on targeted-immune combination therapy for head and neck tumors, first exploring the efficacy and safety of Toripalimab in combination with Cetuximab (Erbitux®), a type of targeted drug, as a treatment for recurrent and/or metastatic squamous cell carcinoma of the head and neck.

Pivotal registered clinical trials for Toripalimab that are being and will be conducted are shown below:

Medicine Code	Targets	Indications	Pre Clinic / Phase I / Phase II / Phase II / NDA	Location of Clinical Trial	Segmentation Stage
JS001 (Toripalimab)	PD-1[1]	Melanoma (second-line treatment, monotherapy)	Approved on 17 December 2018	China	NDA approved
		Nasopharyngeal carcinoma (second-line treatment, monotherapy, pivotal trial)[2]	Pivotal registered clinical trial	China	Accepted for NDA
		Urothelial carcinoma (second-line treatment, monotherapy, pivotal trial)[2]	Pivotal registered clinical trial	China	Accepted for NDA
		Melanoma (first-line treatment, monotherapy)	Pivotal registered clinical trial	China	Recruiting
		Nasopharyngeal carcinoma (first-line treatment, combo with chemo)	Pivotal registered clinical trial	International multi-center	Recruited
		Esophagus carcinoma (combo with chemo)	Pivotal registered clinical trial	China	Recruiting
		Triple negative breast carcinoma (combo with albumin-bound paclitaxel)	Pivotal registered clinical trial	China	Recruiting
		Hepatocellular carcinoma (monotherapy, postoperative adjuvant)	Pivotal registered clinical trial	China	Recruiting
		Hepatocellular carcinoma (first-line treatment, combo with Bevacizumab)	Pivotal registered clinical trial	China	Not yet recruited
		Hepatocellular carcinoma (first-line treatment, combo with Lenvatinib)	Pivotal registered clinical trial	China	Recruiting
		Renal cell carcinoma (combo with Axitinib)	Pivotal registered clinical trial	China	Not yet recruited
		EGFR negative non-small cell lung carcinoma (first-line treatment, combo with chemo)	Pivotal registered clinical trial	China	Recruited
		EGFR mutated TKI failed terminal stage non-small cell lung carcinoma (combo with chemo)	Pivotal registered clinical trial	China	Recruiting
		Non-small cell lung carcinoma (neoadjuvant)	Pivotal registered clinical trial	China	Recruiting
		Extensive stage small cell lung carcinoma (combo with chemo)	Pivotal registered clinical trial	China	Recruiting
		Gastric carcinoma (third-line treatment, monotherapy, pivotal trial)	Pivotal registered clinical trial	China	Not yet recruited
		Solid tumors		United States	Recruiting

Notes:

1. For JS001, only pivotal registered trial and ongoing major clinical trials are listed.
2. Second-line treatment of nasopharyngeal carcinoma and second-line treatment of urothelial carcinoma have received conditional approval for Phase II pivotal clinical trial data, and no Phase III clinical trial is required upon approval.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Recombinant humanized anti-TNF-α-monoclonal antibody for injection (product code: UBP1211, biosimilar of Humira)

UBP1211 is a recombinant humanized anti-TNF-α-monoclonal antibody for injection that we jointly developed with Jiangsu T-mab BioPharma Co., Ltd, and is a biosimilar of Humira (adalimumab). NDA application to the NMPA has been accepted.

3. Recombinant humanized anti-PCSK9 monoclonal antibody for injection (product code: JS002)

JS002 is a recombinant humanized anti-PCSK9 monoclonal antibody for injection independently developed by us for the treatment of cardiovascular diseases. We are the first PRC company to obtain clinical trial approval for the target drug. We have completed the Phase I clinical trial with the clinical trial center Fuwai Hospital to test the safety and tolerability of JS002 on voluntary subjects. At present, the Phase II clinical trial has completed. Based on the obtained clinical research data, JS002 shows sound safety and tolerability profile. No serious adverse events (SAE) or any withdrawal due to adverse events (AE) are reported during the study. In terms of lowering LDL-C, JS002 shows a comparable lipid reduction and longer duration compared with products of the same target. Currently, the initiation of Phase III clinical studies with larger patient population are underway.

4. Recombinant humanized anti-BTLA monoclonal antibody for injection (product code: TAB004/JS004)

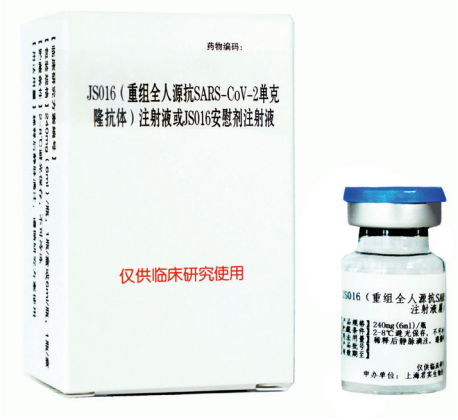
TAB004/JS004 is the world's first-in-human recombinant humanized anti-BTLA monoclonal antibody for injection specific to B- and T- lymphocyte attenuator (BTLA) independently developed by us and officially approved for clinical trial.

The application of the TAB004/JS004 treatment of advanced unresectable or metastatic solid tumors (including patients with lymphoma and PD-1 antibody resistance) was submitted to the FDA in March 2019, and obtained IND approval in the United States in April 2019. We commenced Phase I clinical trial and completed the dosing of the first patient in October 2019. At present, it has completed dose-escalation study and entered dose-expansion stage. TAB004/JS004 was also granted an IND approval from the NMPA in January 2020. We commenced Phase I clinical trial in China and completed the dosing of the first patient in April 2020. Currently, no other anti-tumor product with the same target in the world has entered the clinical stage.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Recombinant fully human anti-SARS-CoV-2 monoclonal antibody for injection (product code: JS016)

JS016 is a recombinant fully human anti-SARS-CoV-2 monoclonal neutralizing antibody jointly developed by us and the IMCAS for the treatment and prevention of COVID-19. In May 2020, we entered into a research collaboration and license agreement with Lilly, and Lilly was granted an exclusive license to, among others, conduct research, develop and commercialize JS016 outside Greater China. Lilly has paid us an upfront fee of US$10 million, and upon achieving prescribed milestone events, will pay milestone payments of up to US$245 million for a particular derivative Junshi SARS-CoV-2 antibody or combination of derivative antibodies corresponding to the same anti-SARS-CoV-2 monoclonal antibody, plus double-digit royalties on the net sales of the product. In June 2020, JS016 was approved to enter the domestic Phase I clinical trial, and the enrollment of subjects in the Phase I clinical trial was completed in July 2020. The clinical trial was designed as a randomized, double-blind and placebo-controlled Phase I clinical study, aiming at evaluating the tolerability and safety of JS016 single-dose intravenous therapy among the healthy subjects. It was planned to recruit 40 healthy subjects (including both male and female) as the world's first novel coronavirus neutralizing antibody clinical trial in healthy subjects. We are conducting Phase Ib international multi-center clinical study for patients with mild/normal novel coronavirus pneumonia. And we expect to commence Phase II/III clinical studies for patients with severe and critical novel coronavirus pneumonia as soon as possible. At the same time, the Company will also conduct follow-up studies on groups who are at high risks of the novel coronavirus to evaluate the preventive effect of JS016 on novel coronavirus infection.



Recombinant fully human anti-SARS-CoV-2 monoclonal antibody for injection

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

At the beginning of 2020, the global novel coronavirus pandemic brought challenges to our overall operations to a certain extent. In the face of a public health crisis, we quickly took pandemic prevention measures to protect the safety of our employees and ensure medication supply for patients. At the same time, we tried our best to coordinate various departments to maintain normal operation, and strove to reduce project delays and capital losses. All our businesses basically resumed to normal in the second quarter of 2020. From January to June 2020, under the general environment where the global economy was affected by the pandemic and its performance was volatile, we still achieved revenue of RMB575 million, representing an increase of 86% compared with the same period last year. At the same time, we continued to increase the development of new drugs, and R&D investments expenses amounted to RMB709 million during the Reporting Period, representing a year-on-year increase of 92% compared with the corresponding period in 2019.

1. Significant clinical progresses in drug candidates

During the Reporting Period, the following important clinical progresses were made in the candidates in the pipeline under research:

(1) In January 2020, the world's first anti-tumor BTLA monoclonal antibody (product code: TAB004/JS004) independently developed by us was approved by the NMPA for clinical trial, and the first patient was dosed in a Phase I clinical study in April 2020. TAB004/JS004 is our second candidate under research that has passed both the NMPA and the FDA Drug Clinical Trial Approval (IND) for independent research and development, with completely independent intellectual property rights. At present, no anti-tumor products with the same target has entered the clinical stage in China and overseas. Furthermore, TAB004/JS004 is expected to be used in combination with our independently developed Toripalimab to enhance the proliferation of tumor-specific T cells and the production of anti-tumor cytokines, and provide patients with more options for combined treatment.

(2) In April 2020, the NMPA approved the supplemental NDA in respect of Toripalimab as a treatment for patients with recurrent/metastatic NPC after failure of second-line and above systemic treatment. The supplemental NDA is the world's first NDA of anti-PD-1 monoclonal antibody for the treatment of recurrent/metastatic NPC. In addition, JUPITER-02 study (NCT03581786), a Phase III clinical study of Toripalimab injection combined with chemotherapy as a first-line treatment in patients with recurrent or metastatic NPC has completed the enrollment.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) In May 2020, the NMPA approved the supplemental NDA in respect of Toripalimab as a treatment for patients with locally advanced or metastatic UC who received previous treatment. This marked another milestone for Toripalimab, and our deployment of indications for "segmented areas" such as melanoma, NPC, and UC has entered a new stage. UC is the most common urinary system cancer worldwide. Surgery is the main treatment in the early stage. For patients with inoperable locally advanced or metastatic urothelial cancer, platinum-based chemotherapy is the standard first-line treatment. As the sensitivity of chemotherapy decreases, it will lead to tumor recurrence and disease progression. For patients with advanced urothelial cancer whose disease has progressed after such standard therapy, the current domestic treatment methods are very limited. It is expected that after the approval of the indication for urothelial cancer of Toripalimab, Toripalimab will provide more treatment options for patients with advanced urothelial cancer, and the market prospect is promising.

(4) The Phase III pivotal registered clinical trial for Toripalimab combined with chemotherapy as a first-line treatment of EGFR negative NSCLC has completed the enrollment. The Group will apply for NDA to the NMPA once the trial is complete as soon as possible.

(5) During the Reporting Period, we also newly launched four pivotal clinical trials for the first-line treatment of liver cancer with Toripalimab in combo with Bevacizumab, the first-line treatment of liver cancer in combo with Lenvatinib, the treatment of renal cell carcinoma in combo with Axitinib, and the third-line monotherapy of gastric carcinoma.

(6) In May 2020, Phase I clinical trial of JS005 (recombinant humanized anti-IL-17A monoclonal antibody for injection) commenced in China and completed the dosing of the first subject. At present, the Phase I clinical study has completed random enrollment. In preclinical studies, JS005 has shown efficacy and safety comparable to those of marketed anti-IL-17 monoclonal antibodies. Preclinical study data fully shows that the recombinant humanized anti-IL-17A monoclonal antibody has a clear target, definite efficacy, good safety, stable production process, and controllable product quality.

(7) In June 2020, JS016 (recombinant fully human anti-SARS-CoV-2 monoclonal antibody for injection) jointly developed by us and the IMCAS completed the first case of administration to healthy subjects, and completed the administration to all subjects in Phase I clinical trial in China in July 2020. The research and development progress of JS016 as the first novel coronavirus neutralizing antibody to enter clinic stage in China is at global leading level. JS016 has also demonstrated good neutralizing activity and blocking ability in preclinical trial in vitro and in vivo experiments in rhesus monkeys, reflecting its potential for treatment and prevention against the novel coronavirus.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Increasing R&D investments with breakthrough results

In terms of innovative drug R&D, our R&D investments continuously increased during the Reporting Period by 92% compared to the same period in 2019, and accounted for 123% of our operating revenue, which strongly supported the R&D for our innovative drugs projects. As at 30 June 2020, the Group owned 61 granted patents, of which 51 were domestic patents and 10 were overseas patents.

During the Reporting Period, a number of important academic papers related to the Company's products were published:

No.	Product name	Periodical name	Abstract
1	JS001 (Toripalimab)	Clinical Cancer Research, IF 10.107	In February 2020, the first Chinese population study data of Toripalimab for neuroendocrine neoplasms after failure of standard therapy was published online in Clinical Cancer Research. The study showed that Toripalimab is promising in treating neuroendocrine neoplasms.
2	JS001 (Toripalimab)	Clinical Cancer Research, IF 10.107	In April 2020, the study results of POLARIS-01, which evaluated the safety and efficacy of Toripalimab in the treatment of advanced melanoma, were published online by Clinical Cancer Research, an international authoritative journal in the field of oncology research. The results of the study showed that Toripalimab demonstrated durable clinical response and a manageable safety profile in the treatment of advanced melanoma; in terms of anti-tumor activity, among the 127 patients assessed, the objective response rate (ORR) was 17.3%, and the disease control rate (DCR) was 57.5%, with long-lasting efficacy, and after more than 2 years of follow-up, the median duration of response (DOR) was not reached; in terms of survival benefit, the median progression-free survival (PFS) was 3.6 months, and the median overall survival (OS) was 22.2 months; in terms of biomarker exploration, patients with melanoma with positive PD-L1 expression benefited well from the treatment.
3	JS016 (recombinant fully human anti-SARS-CoV-2 monoclonal antibody for injection)	Nature, IF 43.070	In May 2020, Nature, an international authoritative journal, published an online paper about the preclinical study results of neutralizing antibodies jointly developed by the Company and the IMCAS. The study discovered two specific human monoclonal neutralizing antibodies demonstrating potent SARS-CoV-2-specific neutralization activity. Among them, the antibody termed CB6 significantly inhibited virus infection in rhesus monkey animal experiments, showing effective treatment and prevention results, and deserves for translation to the clinic.

MANAGEMENT DISCUSSION AND ANALYSIS

3. New product pipeline layout focusing in the field of anti-infective therapy

In March 2020, we jointly developed a novel coronavirus neutralizing antibody (JS016) in cooperation with the IMCAS. JS016 is a recombinant fully human monoclonal neutralizing antibody that is specific to the SARS-CoV-2 surface spike protein receptor binding domain and can effectively block the binding of viruses to host cell surface receptor ACE2. It is generally believed in the domestic and overseas scientific communities that neutralizing antibodies have the potential to fight against the COVID-19. In May 2020, we entered into a research collaboration and license agreement with Lilly, and Lilly was granted an exclusive license to conduct research, development and commercialization of JS016 outside Greater China. JS016 completed the administration to all subjects in Phase I clinical trial in China in July 2020. We are conducting Phase Ib international multi-center clinical study for patients with mild/normal novel coronavirus pneumonia. We expect to conduct Phase II/III clinical studies for patients with severe and critical novel coronavirus pneumonia as soon as possible. At the same time, the Company will also conduct follow-up studies on groups who are at high risks of the novel coronavirus to evaluate the preventive effect of JS016 on novel coronavirus infection. The research and development progress of JS016 as the first novel coronavirus neutralizing antibody to enter clinical stage in China was at a global leading level, and its clinical trial in the United States were also launched in the second quarter of 2020. If vaccines or neutralizing antibodies are successfully developed, they will supplement the deficiencies of existing preventive and therapeutic measures and meet global immunization and clinical needs.

4. Listing on the STAR Market enhancing the capital operation capabilities of the Company

During the Reporting Period, in order to optimize the capital structure, focus more on the development of the main business, improve operating efficiency, increase our investment in technology research and development, and better serve technological innovation, we made every effort to prepare for the listing of A Shares on the STAR Market of the Shanghai Stock Exchange. The A Shares were successfully listed on the STAR Market on 15 July 2020. The proceeds will be used for clinical research of innovative drugs: including domestic and overseas research and development of the JS004 project, follow-up domestic clinical research and development of JS001 and other early-stage project preclinical research; and the construction of a large-scale monoclonal antibody drug production base in Shanghai Lingang. After the projects financed by the proceeds are completed, our production capacity will be greatly increased, and our innovative drug research and development results will be transformed into biologics drug formulation that can be supplied to the market on a large scale, which will help us maintain rapid growth and a competitive advantage.

5. Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had a total of 1,875 employees. The total remuneration cost incurred by the Group for the six months ended 30 June 2020 was RMB325 million. The employee's remuneration policies of the Group are formulated on the basis of the results, work experience and salary level prevailing in the market.

FUTURE AND PROSPECTS

With strong R&D capabilities, we are at the forefront of medical innovation. In the aspect of R&D of drugs, with the focus on the development of macromolecular drugs, we will continue to track and conduct exploratory research on potential targets suitable for the development of macromolecular drugs on the basis of accelerating the R&D and commercialization progress of pipelines in order to develop new drugs. Meanwhile, we will invest appropriate resources in the field of small molecule R&D to explore and develop new drug targets, and carry out exploratory research in the field of cell therapy and tumor vaccines. Based on independent R&D, we will further expand the product pipeline through licensing and other methods to stay on the front line of R&D of innovative drugs. As for production, we plan to further increase the fermentation capacity of macromolecular drugs and explore new production processes to further reduce production costs. In the aspect of commercialization, we will continue to improve the establishment of marketing and commercialization teams. The Company is committed to becoming an innovative biopharmaceutical company with global competitiveness, integrating R&D, production and commercialization, and benefiting patients with world-class and trustworthy biological drugs with original innovation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

1. Revenue

Total revenue was RMB575 million in the first half year of 2020, among which:

a. Sales of Toripalimab was RMB426 million, out of which RMB254 million was generated in the second quarter of 2020, representing recovery from the sudden pandemic outbreak in early 2020. Gross margin reached 90% due to capacity utilization and productivity improvement; and

b. Sub-licensing income and service income was RMB144 million. The Group entered into a research collaboration and license agreement with Lilly and granted Lilly a license to conduct research, development and commercialization of JS016 (a recombinant fully human anti-SARS-CoV-2 monoclonal antibody injection), an innovative drug for the treatment and prevention of COVID-19 in May 2020.

2. Other Income

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income from bank and time deposits	**6,155**	11,815
Government grants *(Note)*	**4,079**	708
	10,234	12,523

Note: Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery, which are recognised as income over the useful life of the related assets; (ii) the incentive and other subsidies for research and development activities, which are recognised as income upon meeting specific condition; and (iii) the incentives which have no specific conditions attached to the grants.

3. R&D Expenses

Our R&D expenses mainly include clinical trial expenses, preclinical study costs, reagents and consumables, staff salary and welfare and depreciation and amortization.

For the six months ended 30 June 2019 and 30 June 2020, we incurred R&D expenses in the amount of approximately RMB369 million and RMB709 million, respectively. The significant increase in our R&D expenses was mainly due to (i) increases in clinical trial expenses and preclinical study costs, as we initiated a number of preclinical research and clinical trials for several new indications and accelerated the progress of clinical trials; (ii) increases in license-in and collaboration research development; and (iii) increases in our staff salary and welfare for R&D personnel, which was primarily due to the increase in the number of our R&D projects.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Selling and Distribution Expenses

Our selling and distribution expenses mainly include selling staff costs, marketing and promotion activities and travelling cost.

For the six months ended 30 June 2019 and 30 June 2020, our selling and distribution expenses were RMB111 million and RMB228 million, respectively. The significant increase in our selling and distribution expenses was mainly due to implementation of marketing activities and sales force expansion to enhance market share.

5. Administrative Expenses

Our administrative expenses mainly include administrative staff cost, office administration expenses, depreciation and amortization and audit and consultancy fees.

For the six months ended 30 June 2019 and 30 June 2020, our administrative expenses were RMB93 million and RMB144 million, respectively. The significant increase was mainly due to (i) new hiring; and (ii) increased office administration expenses in line with business expansion.

6 Liquidity and Capital Resources

As at 30 June 2020, our bank and cash balances decreased to RMB676 million from RMB1,214 million as at 31 December 2019. The Group's funds mainly came from the proceeds from the issue of H Shares by the Company in its listing on the Hong Kong Stock Exchange. See "-Use of proceeds" in this interim report. The decrease was mainly due to (i) investment in ongoing R&D projects, new R&D collaboration and license-in projects; (ii) investment in and acquisition of companies in the pharmaceutical sector; and (iii) investment in the production bases especially the Lingang Production Base.

In order to optimize the proposed Company's capital structure and enhance the Company's self-development capabilities, the Company has applied for an initial public offering and was successfully listed on the STAR Market of the Shanghai Stock Exchange on 15 July 2020. See "-Issue of A Shares and Listing on the STAR Market of the Shanghai Stock Exchange" in this interim report.

The Group does not implement any hedging instruments currently, as a result the Group does not have a foreign currency hedging policy. However, the management will monitor foreign exchange exposure and risks.

Foreign currency bank balances as at 30 June 2020 are:

	'000
HKD	**13**
USD	**54,838**

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDENDS

No dividend was paid, declared or proposed during both periods. The Directors have determined that no dividend will be paid in respect of the Reporting Period.

LOSS PER SHARE

(a) Basic

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(597,899)**	(289,189)

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share	**784,146,500**	783,092,953

(b) Diluted

The Company issued the convertible loan notes on 23 February 2018. For the purpose of calculation of diluted loss per share for the period ended 30 June 2019, it did not assume the conversion of the convertible loan notes since their assumed conversion would result in a decrease in loss per share. The convertible loan notes had been redeemed subsequent to the period ended 30 June 2019, therefore, no impact to the calculation of diluted loss per share for the period ended 30 June 2020.

The Company granted share options on 14 May 2018 and over-allotment option as per underwriting agreement entered on 16 December 2018. The over-allotment option was exercised in January 2019. The computation of diluted loss per share for the period ended 30 June 2019 does not assume the exercise of the Company's outstanding share options and over-allotment share option since their assumed exercise would result in a decrease in loss per share. The computation of diluted loss per share for the period ended 30 June 2020 does not assume the exercise of the Company's outstanding share options as their assumed exercise would result in a decrease in loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER FINANCIAL ASSETS – NON-CURRENT

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Financial assets measured at fair value through other comprehensive income		
– Unlisted equity investment	**10,000**	–
Financial assets measured at fair value through profit or loss		
– Unlisted equity investment	**93,416**	69,345
	103,416	69,345

The Group invested in Hebei Boke Biotechnology Co., Ltd.* (河北博科生物技術有限公司) ("**Boke**") at the fair value of RMB15 million in April 2018, representing 5% of the registered capital of Boke. Boke is mainly engaged in drug discovery and development consulting services. The Group also invested in Beijing Zhenzhi Medical Technology Co., Ltd.* (北京臻知醫學科技有限責任公司) ("**Zhenzhi**") at the fair value of RMB3 million in September 2018, representing 15% of the registered capital of Zhenzhi. Zhenzhi is mainly engaged in technology services and medical research and development. The Group also invested in Hangzhou DAC Biotech Co., Ltd.* (杭州多禧生物科技有限公司) ("**Hangzhou DAC**") at the fair value of RMB51 million in October 2019, representing 4.5479% of the registered capital of Hangzhou DAC. Hangzhou DAC is mainly engaged in drug discovery. At the end of 30 June 2020, the Group held 4.2773% of the registered capital of Hangzhou DAC. The Group also invested in Stemirna Therapeutics, Ltd.* (斯微（上海）生物科技有限公司) ("**Stemirna**") at the fair value of RMB10 million in February 2020, representing 2.86% of the registered capital of Stemirna. Stemirna is mainly engaged in technology services and medical research and development. As at 30 June 2020, the growth of the non-current other financial assets of the Group was mainly attributable to the appreciation of Hangzhou DAC's fair value to RMB75 million.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE RECEIVABLES

The Group allows an average credit period from 30 to 60 days (2019: 30 to 45 days) to its trade customers.

The following is an analysis of trade receivables by age (net of loss allowance) presented based on invoice dates at the end of the Reporting Period.

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
0 to 30 days	**115,487**	96,647
31 to 90 days	**117,197**	60,235
91 to 180 days	**8,631**	534
	241,315	157,416

TRADE AND OTHER PAYABLES

Payment terms with suppliers are mainly with credit term of 15 to 60 days (2019: 15 to 60 days) from the time when the goods and services are received from the suppliers. The following is an aging analysis of trade payables presented based on invoice date at the end of the Reporting Period:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
0 to 30 days	**48,836**	58,726
31 to 60 days	**6,679**	2,946
61 to 180 days	**4,013**	11,426
Over 180 days	**5,012**	1,518
	64,540	74,616

MANAGEMENT DISCUSSION AND ANALYSIS

INDEBTEDNESS

Unsecured Borrowings

As at 30 June 2020, we have unguaranteed and unsecured borrowings of RMB269 million from China Merchants Bank. The borrowings bear fixed interest rates of 4.35% per annum.

Secured Borrowings

We entered into a loan facility of up to RMB900 million from 12 September 2019 to 29 November 2022 with the Bank of Shanghai, and drew down RMB800 million of guaranteed and secured loan under such facility as of 30 June 2020. The loan facility bears a fixed interest rate of 5.23% per annum.

The loan is guaranteed by us and our subsidiary Suzhou Union Biopharm, and secured by mortgages over our property, plant and equipment and right-of-use assets situated in Shanghai Lingang and Wujiang Economic and Industrial Development Zone held by our subsidiaries Junshi Biotechnology and Suzhou Union Biopharm.

The Group incurred borrowings for: i) ongoing clinical trials and preclinical studies for our drug candidates; and ii) construction of the Lingang and Wujiang Production Bases.

As at 30 June 2020, the Group has pledged the following assets as security for the Group's bank borrowings:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Property, plant and equipment	**1,725,167**	1,607,916
Right-of-use assets	**60,644**	62,425
	1,785,811	1,670,341
The maturity profile of bank borrowings is as follows:		
– within one year	**349,919**	76,891
– within a period of more than one year but not exceeding five years	**720,000**	744,896
	1,069,919	821,787

All bank borrowings are denominated in RMB as at 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

CONVERTIBLE LOAN NOTES

On 5 July 2019, the Group exercised its right to redeem all the convertible loan notes from the bondholders. The number of convertible loan notes redeemed was 2,000,000 with total amount of RMB228 million (including principal and interest upon redemption date).

	At 30 June 2020 RMB'000 (Unaudited)	At 30 June 2019 RMB'000 (Unaudited)
Convertible loan notes	**–**	227,250

The Company has used the binominal option pricing model to determine the fair value of the convertible loan notes as of the dates of issuance and at the end of each period.

CONTRACTUAL COMMITMENTS

Capital Commitments

As at 30 June 2020, the Group's capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements was RMB405 million, which decreased by 5% from RMB427 million as at 31 December 2019, mainly for the Lingang and Wujiang Production Base.

Financing Plan

The Group expects to receive RMB3,000 million credit line in 2020, so as to support the production and operation of the Group and the quick development of project construction.

GEARING RATIO

Gearing ratio is calculated using interest-bearing borrowings less bank balances and cash, divided by total equity and multiplied by 100%. As at 30 June 2020, the gearing ratio of the Group was 16%.

OTHER INFORMATION

RESULTS AND DIVIDENDS

The Group's profit for the Reporting Period and the state of affairs of the Group at 30 June 2020 are set out in the condensed consolidated financial statements and the accompanying notes on pages 46 to 73.

The Directors did not recommend distribution of any interim dividend for the Reporting Period.

DIRECTORS AND SUPERVISORS

BOARD OF DIRECTORS

As at the end of the Reporting Period, the Board comprised 15 Directors, consisting of 6 executive Directors, 4 non-executive Directors, and 5 independent non-executive Directors. During the Reporting Period and up to the date of this interim report, changes in the composition of the Board are as follows:

Executive Directors

Mr. Xiong Jun *(Chairman and Legal Representative)*
Dr. Li Ning *(Chief Executive Officer and General Manager)*
Dr. Feng Hui
Mr. Zhang Zhuobing
Dr. Wu Hai
Dr. Yao Sheng

Non-executive Directors

Mr. Tang Yi
Mr. Li Cong
Mr. Yi Qingqing
Mr. Lin Lijun

Independent Non-executive Directors

Dr. Chen Lieping
Mr. Qian Zhi
Dr. Roy Steven Herbst
Mr. Zhang Chun – *appointed on 19 June 2020*
Mr. Chen Xinjun – *resigned on 24 July 2020, to be effective upon appointment of a new independent non-executive Director by the Shareholders at a general meeting of the Company*
Dr. He Jia – *resigned on 26 April 2020, effective on 19 June 2020*

OTHER INFORMATION

BOARD OF SUPERVISORS

As at the end of the Reporting Period, the Board of Supervisors comprised 5 Supervisors. The Supervisors were as follows:

Mr. Wu Yu *(chairman of the Board of Supervisors)*
Ms. Nie Anna
Ms. Li Ruolin
Ms. Wang Pingping
Mr. Liu Jun

Directors' and Supervisors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this interim report, none of the Directors, Supervisors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares in, or debentures of, the Company or its subsidiaries, or had exercised any such right during the Reporting Period.

Competing interest and other interest

None of the Directors or the Supervisors or any entity connected with them has any material interest, either directly or indirectly, in any contract, transaction or arrangement of significance to the Group's business to which the Company, any of its holding companies, any of its subsidiaries, fellow subsidiaries was a party subsisted at any time during the Reporting Period.

During the Reporting Period, none of the Directors and their respective associates had an interest in a business which causes or may cause any significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Changes of Information of the Directors and Supervisors

During the Reporting Period, save as disclosed below, the Directors and the Supervisors confirmed that there is no information which is discloseable pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

Mr. Lin Lijun was appointed as a non-executive director of InnoCare Pharma Limited (a company listed on the Hong Kong Stock Exchange (stock code: 9969) since 23 March 2020) since September 2019, and a non-executive director of Akeso, Inc. (a company listed on the Hong Kong Stock Exchange (stock code: 9926) since 24 April 2020) from November 2019 to August 2020.

OTHER INFORMATION

The Company was notified by Dr. He Jia (who has resigned with effect from 19 June 2020) on 24 April 2020 that he received a decision on disciplinary measures (the "**Decision**") regarding Tongfang Co., Ltd. （同方股份有限公司） ("**Tongfang**", stock code: 600100), a company listed on the SSE. Dr. He was an independent director and convener of the audit committee of Tongfang. In the Decision, the SSE considered that Tongfang was in breach of the SSE Listing Rules for inaccurate information in a forecast announcement of Tongfang's 2018 financial results, which substantially deviated from Tongfang's actual financial performance, and that Tongfang failed to give sufficient and accurate risk alert, and timely correcting the financial forecast. The SSE imposed a public reprimand against the chairman of the board of directors, the chief executive of Tongfang, the financial director of Tongfang, the secretary of the board of directors of Tongfang and Dr. He. For further details, please refer to the Company's announcement dated 27 April 2020.

The Company was notified by Mr. Chen Xinjun on 26 April 2020 that he received a regulatory warning decision (the "**Warning Decision**") from the SSE in relation to the application for the initial public offering and listing of the shares of Shenzhen Chuangxin Laser Co., Ltd.*（深圳市創鑫激光股份有限公司）("**Chuangxin**") on the STAR Market. Mr. Chen was one of the sponsor representatives designated by Haitong Securities Co., Ltd. ("**Chuangxin's Sponsor**") for Chuangxin's STAR Market listing application. In the Warning Decision, the SSE considered the sponsor representatives failed to sufficiently conduct more careful and comprehensive due diligence on an entity controlled by Chuangxin's chairman of the board of directors and the relevant related party transactions. The SSE imposed regulatory warning on the two sponsor representatives of Chuangxin's Sponsor.

The Board (except Dr. He and Mr. Chen) has assessed the Warning Decision and considered that the above incident have not had and will not have any impact on the daily operations of the Company nor impair Mr. Chen's suitability to act as an independent non-executive Director. For further details, please refer to the Company's announcement dated 27 April 2020.

Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures

As at 30 June 2020, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Hong Kong Listing Rules were as follows:

OTHER INFORMATION

Interests in the Company

Name of Director/ Supervisor/ Chief Executive	Nature of interests	Class of Shares	Number of Shares/ Underlying Shares[1]	Approximate percentage in relevant class of Shares[1]	Approximate percentage in total share capital[1]
Xiong Jun	Beneficial owner	Domestic Shares	87,252,968 (L)	14.51%	11.13%
	Parties acting in concert/ Interest in controlled corporations[2]	Domestic Shares	129,978,568 (L)	21.61%	16.58%
Feng Hui	Beneficial owner	Domestic Shares	13,140,000 (L)	2.18%	1.68%
Li Cong	Beneficial owner	Domestic Shares	3,657,600 (L)	0.61%	0.47%
Tang Yi	Beneficial owner	Domestic Shares	7,774,500 (L)	1.29%	0.99%
	Interest in controlled corporations[3]	Domestic Shares	195,550,736 (L)	32.52%	24.94%
Zhang Zhuobing	Interest of spouse[4]	Domestic Shares	8,608,000 (L)	1.43%	1.10%
Lin Lijun	Interest in controlled corporations[5]	Domestic Shares	78,852,000 (L)	13.11%	10.06%
	Founder of a discretionary trust who can influence how the trustee exercises his discretion[5]	H Shares	37,189,000 (L)	20.35%	4.74%

Notes:

1. As at 30 June 2020, the Company had an issued share capital of 784,146,500 Shares, comprising 601,400,000 Domestic Shares and 182,746,500 H Shares.

2. Pursuant to (i) a concert party agreement dated 25 December 2017 entered into among Mr. Xiong Jun, Mr. Xiong Fengxiang, Suzhou Ruiyuan Shengben Biological Medicine Management Partnership (LP)* ("**Suzhou Ruiyuan**"), Suzhou Benyu Tianyuan Biological Technology Partnership (LP)* ("**Suzhou Benyu**"), Shanghai Baoying Asset Management Co., Ltd.* ("**Shanghai Baoying**"), Meng Xiaojun, Gao Shufang, Zhuhai Huapu Investment Management Co., Ltd.* and Zhao Yun (the "**2017 Concert Party Agreement**"), Mr. Xiong Jun was deemed to be interested in an aggregate of 108,297,768 Domestic Shares held by the other parties to the 2017 Concert Party Agreement as at 30 June 2020 under the SFO (including the 41,060,000 Domestic Shares directly held by Mr. Xiong Fengxiang, the father of Mr. Xiong Jun); and (ii) a concert party agreement dated 26 July 2019 entered into between Mr. Xiong Jun and Ms. Zhou Yuqing (the "**2019 Concert Party Agreement**"), Mr. Xiong Jun was further deemed to be interested in the 21,680,800 Domestic Shares held by the other party to the 2019 Concert Party Agreement as at 30 June 2020 under the SFO.

   As at 30 June 2020, Mr. Xiong Jun (i) was an executive director and was directly interested in 20% of the equity share capital of Shanghai Baoying, which directly held 4,372,144 Domestic Shares; Shanghai Baoying was also a party to the 2017 Concert Party Agreement; (ii) was the chairman of the board of directors and was directly interested in 40% of the equity share capital of Shenzhen Qianhai Yuanben Equity Investment Fund Management Co., Ltd.* ("**Shenzhen Yuanben**"), which was the general partner of each of Suzhou Benyu and Suzhou Ruiyuan, which in turn directly held 4,600,000 and 43,584,000 Domestic Shares, respectively, and were each a party to the 2017 Concert Party Agreement. Shenzhen Yuanben also held a limited partner interest of approximately 86.28% of Suzhou Benyu. Mr. Xiong Jun was deemed to be interested in an aggregate of such 52,556,144 Domestic Shares under the SFO.

OTHER INFORMATION

3. As at 30 June 2020, Mr. Tang Yi directly held 7,774,500 Domestic Shares. Mr. Tang Yi was a director of and directly interested in 60% of the equity share capital of Shenzhen Yuanben, which was the general partner of each of Suzhou Benyu and Suzhou Ruiyuan. Shenzhen Yuanben also held a limited partner interest of approximately 86.28% of Suzhou Benyu. Therefore, he was deemed to be interested in Shares in which Suzhou Benyu and Suzhou Ruiyuan were interested (including the Shares they are deemed to be interested in pursuant to the 2017 Concert Party Agreement) under the SFO.

4. As at 30 June 2020, Mr. Zhang Zhuobing's spouse, Ms. Liu Xiaoling, directly held 8,608,000 Domestic Shares.

5. As at 30 June 2020, Shanghai Tanying Investment Partnership ("**Shanghai Tanying**") was directly interested in 76,590,000 Domestic Shares. Shanghai Tanzheng Investment Partnership ("**Shanghai Tanzheng**") directly held 2,262,000 Domestic Shares. Mr. Lin Lijun was a director and wholly interested in Shanghai Shengge Asset Management Co., Ltd. ("**Shanghai Shengge**"), which was the general partner of Shanghai Tanying and Shanghai Tanzheng. Mr. Lin Lijun was also the general partner of Shanghai Shengdao Investment Partnership, which was the general partner of Shanghai Lejin Investment Partnership, which in turn held 99.99% interest in Shanghai Tanying. Therefore, Mr. Lin Lijun was deemed to be interested in the Shares held by Shanghai Tanying and Shanghai Tanzheng under the SFO.

   As at 30 June 2020, Loyal Valley Capital Advantage Fund LP ("**LVC Fund I**"), Loyal Valley Capital Advantage Fund II LP ("**LVC Fund II**") and LVC Renaissance Fund LP ("**LVC Renaissance Fund**", together with LVC Fund I and LVC Fund II, the "**LVC Funds**") directly held 10,106,000 H Shares, 12,127,000 H Shares and 14,956,000 H Shares, respectively. Loyal Valley Capital Advantage Fund GP Limited ("**LVC Fund I GP**") was the general partner of LVC Fund I, Loyal Valley Capital Advantage Fund II Limited ("**LVC Fund II GP**") was the general partner of LVC Fund II and LVC Renaissance Limited ("**LVC Renaissance GP**") was the general partner of LVC Renaissance Fund. Each of LVC Fund I GP, LVC Fund II GP and LVC Renaissance GP was wholly-owned by LVC Holdings Limited, which was wholly-owned by LVC Innovate Limited (previously known as LVC Bytes Limited), which was in turn wholly-owned by Jovial Champion Investments Limited, which was wholly-owned by Vistra Trust (Singapore) Pte. Limited, which was controlled by Mr. Lin Lijun. Also, LVC Renaissance Fund was owned as to (i) 20.13% by Golden Valley Global Limited, which was wholly-owned by Shanghai Lehong Investment Partnership ("**Shanghai Lehong**"). Shanghai Tanying (a controlled corporation of Mr. Lin Lijun) held 99.99% interest in Shanghai Lehong and Shanghai Shengge (a corporation wholly-owned by Mr. Lin Lijun) was the general partner of Shanghai Lehong; and (ii) 33.28% by Loyal Valley Innovation Capital (HK) Limited, which was wholly-owned by Mr. Lin Lijun. Therefore, Mr. Lin Lijun was deemed to be interested in an aggregate of 37,189,000 H Shares held by the LVC Funds under the SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors, Supervisors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2020, to the best knowledge of the Directors, the following persons/entities (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Class of Shares	Number of Underlying Shares[1]	Approximate percentage in relevant class of Shares[2]	Approximate percentage in total share capital[2]
Xiong Fengxiang[3][4]	Beneficial owner	Domestic Shares	41,060,000 (L)	6.83%	5.24%
	Parties acting in concert	Domestic Shares	154,490,736 (L)	25.69%	19.70%
Suzhou Ruiyuan Shengben Biological Medicine Management Partnership (LP)* 蘇州瑞源盛本生物醫藥管理合夥企業（有限合夥）[4]	Beneficial owner	Domestic Shares	43,584,000 (L)	7.25%	5.56%
	Parties acting in concert	Domestic Shares	151,966,736 (L)	25.27%	19.38%
Suzhou Benyu Tianyuan Biological Technology Partnership (LP)* 蘇州本裕天源生物科技合夥企業（有限合夥）[4]	Beneficial owner	Domestic Shares	4,600,000 (L)	0.76%	0.59%
	Parties acting in concert	Domestic Shares	190,950,736 (L)	31.75%	24.35%
Shanghai Baoying Asset Management Co., Ltd.* 上海寶盈資產管理有限公司[4]	Beneficial owner	Domestic Shares	4,372,144 (L)	0.73%	0.56%
	Parties acting in concert	Domestic Shares	191,178,592 (L)	31.79%	24.38%
Meng Xiaojun 孟曉君[4]	Beneficial owner	Domestic Shares	4,288,400 (L)	0.71%	0.55%
	Parties acting in concert	Domestic Shares	191,262,336 (L)	31.80%	24.39%
Gao Shufang 高淑芳[4]	Beneficial owner	Domestic Shares	3,789,720 (L)	0.63%	0.48%
	Parties acting in concert	Domestic Shares	191,761,016 (L)	31.89%	24.45%
Zhuhai Huapu Investment Management Co., Ltd.* 珠海華樸投資管理有限公司[4]	Beneficial owner	Domestic Shares	3,719,504 (L)	0.62%	0.47%
	Parties acting in concert	Domestic Shares	191,831,232 (L)	31.90%	24.46%
Zhao Yun 趙雲[4]	Beneficial owner	Domestic Shares	2,884,000 (L)	0.48%	0.37%
	Parties acting in concert	Domestic Shares	192,666,736 (L)	32.04%	24.57%
Zhou Yuqing 周玉清[5]	Beneficial owner	Domestic Shares	21,680,800 (L)	3.61%	2.76%
	Parties acting in concert	Domestic Shares	87,252,968 (L)	14.51%	11.13%
Zhuhai Gaoling Equity Investment Management Ltd.* 珠海高瓴股權投資管理有限公司	Investment manager	Domestic Shares	30,750,000 (L)	5.11%	3.92%
Shanghai Tanying Investment Partnership[6]	Beneficial owner	Domestic Shares	76,590,000 (L)	12.74%	9.77%
Shanghai Shengge Asset Management Co., Ltd.[6]	Interest of controlled corporation	Domestic Shares	78,852,000 (L)	13.11%	10.06%
Shanghai Lejin Investment Partnership[6]	Interest of controlled corporation	Domestic Shares	76,590,000 (L)	12.74%	9.77%
Shanghai Shengdao Investment Partnership[6]	Interest of controlled corporation	Domestic Shares	76,590,000 (L)	12.74%	9.77%

OTHER INFORMATION

Name of Shareholder	Nature of interests	Class of Shares	Number of Underlying Shares[1]	Approximate percentage in relevant class of Shares[2]	Approximate percentage in total share capital[2]
Gong Ruilin	Beneficial owner[6][8]	Domestic Shares	76,590,000 (L)	12.74%	9.77%
龔瑞琳	Interest of spouse[8]	Domestic Shares	2,262,000 (L)	0.38%	0.29%
	Interest of spouse[7][8]	H Shares	37,189,000 (L)	20.35%	4.74%
Loyal Valley Capital Advantage Fund LP[7][9]	Beneficial owner	H Shares	10,106,000 (L)	5.53%	1.29%
Loyal Valley Capital Advantage Fund GP Limited[7]	Interest of controlled corporation	H Shares	10,106,000 (L)	5.53%	1.29%
Loyal Valley Capital Advantage Fund II LP[7][10]	Beneficial owner	H Shares	12,127,000 (L)	6.64%	1.55%
Loyal Valley Capital Advantage Fund II Limited[7]	Interest of controlled corporation	H Shares	12,127,000 (L)	6.64%	1.55%
LVC Renaissance Fund LP[7]	Beneficial owner	H Shares	14,956,000 (L)	8.18%	1.91%
LVC Renaissance Limited[7]	Interest of controlled corporation	H Shares	14,956,000 (L)	8.18%	1.91%
LVC Holdings Limited[7]	Interest of controlled corporation	H Shares	22,233,000 (L)	12.17%	2.84%
LVC Management Holdings Limited[7]	Interest of controlled corporation	H Shares	22,233,000 (L)	12.17%	2.84%
LVC Bytes Limited (now known as LVC Innovate Limited)[7]	Interest of controlled corporation	H Shares	37,189,000 (L)	20.35%	4.74%
Jovial Champion Investments Limited[7]	Interest of controlled corporation	H Shares	37,189,000 (L)	20.35%	4.74%
Vistra Trust (Singapore) Pte. Limited[7]	Trustee	H Shares	37,189,000 (L)	20.35%	4.74%
Sun Yongjian 孫勇堅[9]	Interest of controlled corporation	H Shares	10,106,000 (L)	5.53%	1.29%
Eminent Azure Limited[9]	Interest of controlled corporation	H Shares	10,106,000 (L)	5.53%	1.29%
Prosperous Wealth Global Limited[9]	Interest of controlled corporation	H Shares	10,106,000 (L)	5.53%	1.29%
Highbury Investment Pte Ltd[10]	Beneficial owner	H Shares	18,190,000 (L)	9.95%	2.32%
	Interest of controlled corporation	H Shares	12,127,000 (L)	6.64%	1.55%
GIC (Ventures) Pte. Ltd.[10]	Interest of controlled corporation	H Shares	30,317,000 (L)	16.59%	3.87%
GIC Special Investments Private Limited[10]	Investment manager	H Shares	30,317,000 (L)	16.59%	3.87%
GIC Private Limited[10]	Interest of controlled corporation	H Shares	30,317,000 (L)	16.59%	3.87%
Wang Shujun 王樹君	Beneficial owner	H Shares	13,339,000 (L)	7.30%	1.70%
Yu Jianwu 俞建午	Beneficial owner	H Shares	13,339,000 (L)	7.30%	1.70%
Gaoling Fund, L.P.[11]	Beneficial owner	H Shares	10,715,000 (L)	5.86%	1.37%
Hillhouse Capital Advisors, Ltd.[11]	Investment manager	H Shares	11,400,000 (L)	6.24%	1.45%
China International Capital Corporation Limited[12]	Beneficial owner	H Shares	9,271,700 (L)	5.07%	1.18%

OTHER INFORMATION

Notes:

1. The letter "L" denotes the long position in the Shares, the letter "S" denotes short position in the Shares and the letter "P" denotes lending pool.

2. As at 30 June 2020, the Company had an issued share capital of 784,146,500 Shares, comprising 601,400,000 Domestic Shares and 182,746,500 H Shares.

3. As at 30 June 2020, Mr. Xiong Fengxiang directly held 41,060,000 Domestic Shares. Pursuant to the 2017 Concert Party Agreement, Mr. Xiong Fengxiang was deemed to be interested in an aggregate of 154,490,736 Domestic Shares held by the other parties to the 2017 Concert Party Agreement under the SFO (including the 87,252,968 Domestic Shares directly held by Mr. Xiong Jun, son of Mr. Xiong Fengxiang).

4. Each of them is a party to the 2017 Concert Party Agreement, and was therefore deemed to be interested in the Domestic Shares held by the other parties to the 2017 Concert Party Agreement under the SFO.

5. Ms. Zhou Yuqing is a party to the 2019 Concert Party Agreement, and was therefore deemed to be interested in the Domestic Shares held by Mr. Xiong Jun who was the other party to the 2019 Concert Party Agreement under the SFO.

6. As at 30 June 2020, Shanghai Tanying Investment Partnership ("**Shanghai Tanying**") was directly interested in 76,590,000 Domestic Shares. Shanghai Shengge Asset Management Co., Ltd. ("**Shanghai Shengge**") was the general partner of Shanghai Tanying. Shanghai Shengdao Investment Partnership ("**Shanghai Shengdao**") was the general partner of Shanghai Lejin Investment Partnership ("**Shanghai Lejin**"), which in turn held 99.99% interest in Shanghai Tanying. Therefore, each of Shanghai Shengge, Shanghai Shengdao and Shanghai Lejin was deemed to be interested in the 76,590,000 Domestic Shares held by Shanghai Tanying under the SFO. Shanghai Shengge was also the general partner of Shanghai Tanzheng Investment Partnership ("**Shanghai Tanzheng**"), which directly held 2,262,000 Domestic Shares. Therefore, Shanghai Shengge was also deemed to be interested in the Domestic Shares held by Shanghai Tanzheng under the SFO.

7. As at 30 June 2020, Loyal Valley Capital Advantage Fund LP ("**LVC Fund I**"), Loyal Valley Capital Advantage Fund II LP ("**LVC Fund II**") and LVC Renaissance Fund LP ("**LVC Renaissance Fund**", together with LVC Fund I and LVC Fund II, the "**LVC Funds**") directly held 10,106,000 H Shares, 12,127,000 H Shares and 14,956,000 H Shares, respectively. Loyal Valley Capital Advantage Fund GP Limited ("**LVC Fund I GP**") was the general partner of LVC Fund I and was deemed to be interested in the H Shares held by it. Loyal Valley Capital Advantage Fund II Limited ("**LVC Fund II GP**") was the general partner of LVC Fund II and was deemed to be interested in the H Shares held by it. LVC Renaissance Limited ("**LVC Renaissance GP**") was the general partner of LVC Renaissance Fund and was deemed to be interested in the H Shares held by it.

   Each of LVC Fund I GP and LVC Fund II GP was wholly-owned by LVC Holdings Limited, which was wholly-owned by LVC Management Holdings Limited. Therefore, each of LVC Holdings Limited and LVC Management Holdings Limited was deemed to be interested in the aggregate H Shares held by LVC Fund I and LVC Fund II. Each of LVC Fund I GP, LVC Fund II GP and LVC Renaissance GP was directly or indirectly wholly-owned by LVC Innovate Limited (previously known as LVC Bytes Limited), which was wholly-owned by Jovial Champion Investments Limited, which was in turn wholly-owned by Vistra Trust (Singapore) Pte. Limited. Therefore, each of LVC Innovate Limited (previously known as LVC Bytes Limited), Jovial Champion Investments Limited and Vistra Trust (Singapore) Pte. Limited was deemed to be interested in the aggregate H Shares held by the LVC Funds under the SFO.

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8. Ms. Gong Ruilin is the spouse of Mr. Lin Lijun and was therefore deemed to be interested in the Shares in which he was interested under the SFO.

9. As at 30 June 2020, Sun Yongjian wholly-owned Eminent Azure Limited, which wholly-owned Prosperous Wealth Global Limited, which held 33.34% interest in LVC Fund I. Each of them was therefore deemed to be interested in the 10,106,000 H Shares held by LVC Fund I under the SFO.

10. As at 30 June 2020, Highbury Investment Pte Ltd ("**Highbury**") directly held 18,190,000 H Shares. Highbury also held 90.90% interest in LVC Fund II and was deemed to be interested in the 12,127,000 H Shares held by LVC Fund II. Highbury was wholly-owned by GIC (Ventures) Pte. Ltd. ("**GIC Ventures**"), which was wholly-owned by GIC Special Investments Private Limited ("**GIC SIPL**"), which was in turn wholly-owned by GIC Private Limited ("**GIC Private**"). Therefore, each of GIC Ventures, GIC SIPL and GIC Private was interested in the H Shares in which Highbury was interested under the SFO.

11. As at 30 June 2020, Hillhouse Capital Advisors, Ltd. controlled Gaoling Fund, L.P. and YHG Investment, L.P. and was therefore deemed to be interested in the 10,715,000 H Shares and 685,000 H Shares held by Gaoling Fund, L.P. and YHG Investment, L.P., respectively under the SFO.

12. As at 30 June 2020, China International Capital Corporation Limited ("**CICC**") controlled China International Capital Corporation Hong Kong Securities Limited ("**CICC Securities**"), which directly held 8,871,700 H Shares, and controlled CICC Financial Trading Limited ("**CICC Financial Trading**"), which directly held 400,000 H Shares. Therefore, CICC was deemed to be interested in the H Shares in which CICC Securities and CICC Financial Trading are interested under the SFO.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 17 to the condensed consolidated financial statements.

As at 30 June 2020, 784,146,500 Shares were in issue (comprising 601,400,000 Domestic Shares and 182,746,500 H Shares).

After the Reporting Period, the Company issued 87,130,000 new A Shares at the issue price of RMB55.50 per A Share. The Company's Domestic Shares were delisted from the NEEQ since 8 May 2020, and were converted into A Shares and listed on the STAR Market on 15 July 2020. See also the paragraph "– Issue of A Shares and Listing on the STAR Market of the Shanghai Stock Exchange" below.

The Company has in issue during the Reporting Period certain Pre-IPO Options (which may be satisfied by issue of new Domestic Shares or acquisition of existing Domestic Shares). See also the paragraph "– Share Incentives" below.

OTHER INFORMATION

ISSUE OF A SHARES AND LISTING ON THE STAR MARKET OF THE SHANGHAI STOCK EXCHANGE

The Company was successfully listed on the STAR Market of the Shanghai Stock Exchange on 15 July 2020. The Company issued 87,130,000 new A Shares at the issue price of RMB55.50 per A Share, and raised approximately RMB4,836 million from the STAR Market Listing. After deducting the issuance expenses, the net proceeds raised amounted to approximately RMB4,497 million and will be mainly applied towards the research and development projects of innovative drugs, the Junshi Biotechnology Industrialization Lingang Project and repayment of bank loans and replenishment of liquidity.

As approved by the Shareholders at the 2020 second extraordinary general meeting of the Company held on 19 June 2020, certain senior management and core employees of the Company, including certain Directors (who were connected persons of the Company), participated in the strategic allotment of the issue of A Shares through a collective management plan and a total of 4,645,421 A Shares were issued to such collective management plan. Details of the above connected transaction are set out in the Company's announcements dated 27 May 2020 and 1 July 2020 and circular dated 27 May 2020.

The Company's Domestic Shares were delisted from the NEEQ since 8 May 2020, and were converted into A Shares and listed on the STAR Market on 15 July 2020.

SHARE INCENTIVES

The Company has established its share incentive scheme and entered into share incentive agreements to provide incentives to its management and employees. Set out below are details of the share incentive scheme and the share incentive agreements.

Share Incentive Scheme and Share Incentive Agreements

The Company's Share Incentive Scheme was adopted by the Shareholders on 14 May 2018. It was subsequently amended to comply with the relevant rules and requirements regarding the STAR Market Listing and customary market practices (as approved by the Shareholders at the 2018 annual general meeting, the 2019 first class meeting of Domestic Shareholders and the 2019 first class meeting of H Shareholders held on 17 June 2019. For details of the amendments, please refer to the circular of the Company dated 27 May 2019) and further amended to adjust the validity period of the Share Incentive Scheme and the exercise periods of the Pre-IPO Options (as approved by the Shareholders at the 2019 annual general meeting, the 2020 first class meeting of Domestic Shareholders and 2020 first class meeting of H Shareholders held on 11 May 2020. For details of the further amendments, please refer to the circular of the Company dated 20 April 2020) (together, the "**Amendments**"). Such Amendments took effect upon completion of the STAR Market Listing.

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On 12 March 2018, the Company entered into Share Incentive Agreements with 268 Grantees, pursuant to which the Company agreed to grant, in aggregate, 6,023,000 Pre-IPO Options to the Grantees. The Company has subsequently entered into supplemental agreements with the Grantees to acknowledge the Amendments. The Pre-IPO Options are subject to the Share Incentive Scheme.

The purpose of the Share Incentive Scheme is to attract, retain and motivate the Group's employees, to align the interests of the Directors, the Supervisors, the senior management, the employees and the Shareholders of the Company and to strive for long-term mutual development of the Company. The following is a summary of the principal terms of the Share Incentive Scheme:

(a) the Directors, senior management, core technical personnel or core business personnel, as well as other employees having a direct impact on the Company's operating performance and future development who the Company believes should be incentivized, excluding independent Directors and Supervisors, of the Group are eligible to participate in the Share Incentive Scheme. Except for the Directors of the Company, all other Grantees under the Share Incentive Scheme should serve in the Company or its wholly-owned or controlled subsidiaries and enter into labor contracts with the Company or its wholly-owned or controlled subsidiaries. A person will cease to be eligible under the Share Incentive Scheme if he/she, among others, has been identified as an inappropriate candidate by the stock exchanges or by the CSRC and its agencies in the past 12 months, imposed with administrative penalties or prohibited from market entry by the CSRC and its agencies due to material violations of laws and regulations or with administrative penalties by other securities regulatory authorities due to material violations of laws and regulations in the past three years, prohibited from acting as a director or a member of senior management of the Company by the PRC Company Law, prohibited from participation in the share incentive schemes of companies listed on the NEEQ or listed companies under laws and regulations, or other circumstances in which the person concerned is not suitable to be an incentive target as required under the relevant laws, regulations and regulatory documents such as the PRC Company Law and the PRC Securities Law or as determined by the relevant securities regulatory authorities;

(b) the Share Incentive Scheme may be implemented, altered or terminated by resolution passed by the Shareholders in a general meeting. Subject to the approval of the Shareholders, the Board shall be responsible for administering and implementing the Share Incentive Scheme and the relevant matters;

(c) the validity period of the Share Incentive Scheme commences from the date on which the Pre-IPO Options are granted and ends on the date on which the Pre-IPO Options granted to the Grantees are fully exercised or fully cancelled. From the grant date, the validity period shall be no longer than 29 months from the date of the STAR Market Listing;

OTHER INFORMATION

(d) the Company may settle the Pre-IPO Options by issue of the Company's Domestic Shares to qualified financial products such as asset management plans and private equity funds subscribed by the Grantees, direct issue of the Company's Domestic Shares to the Grantees or repurchase of the Company's Domestic Shares by the Company from the secondary market. The ultimate sources of shares involved in Share Incentive Scheme are ultimately determined by the Board (or the Company's management authorized by the Board) based on market and policy conditions;

(e) the exercise price of the Pre-IPO Options shall be RMB9.2 per Share. The exercise price was determined by the Company after comprehensive consideration of factors including the Company's operations, assets situation, employees' contribution to the Company, and the incentive effect of the Share Incentive Scheme to the employees;

(f) subject to the fulfillment of the exercise conditions stipulated in the Share Incentive Scheme, the Grantees may exercise their Pre-IPO Options in three tranches after the expiry of the vesting period as follows: 25% of the total number of Pre-IPO Options granted may be exercised during the first exercise period (i.e., from the first trading day following the end of the 12 months from the date of grant until the last trading day of the 5 months from the date of STAR Market Listing), 35% of the total number of Pre-IPO Options granted may be exercised during the second exercise period (i.e., from the first trading day following the end of the 5 months from the date of STAR Market Listing until the last trading day of the 17 months from the date of STAR Market Listing), and 40% of the total number of Pre-IPO Options granted may be exercised during the third exercise period (i.e., from the first trading day following the end of the 17 months from the date of STAR Market Listing until the last trading day of the 29 months from the date of STAR Market Listing). The Grantees must complete the exercise of their Pre-IPO Options within the validity period. If the exercise conditions are not fulfilled during the current validity period, the Pre-IPO Options for the current period shall not be exercised and the exercise cannot be deferred to the following period, the corresponding Pre-IPO Options shall automatically lapse; and

(g) the Grantees are subject to a lock-up period after the exercise of their Pre-IPO Options, implemented according to the PRC Company Law, the PRC Securities Law, and other relevant laws and regulations, regulatory documents and the Articles of Association.

Following the H Share Listing, no further Pre-IPO Options will be granted by the Company under the Share Incentive Scheme.

OTHER INFORMATION

Movement of Pre-IPO Options during the Reporting Period

As at 30 June 2020, 4,992,000 Pre-IPO Options were outstanding, entitling 210 Grantees to subscribe for an aggregate of 4,992,000 Domestic Shares (representing approximately 0.64% of the Company's total issued share capital as at 30 June 2020). Pre-IPO Options in respect of 1,031,000 Domestic Shares were granted to 58 Grantees who had already left the Group, thus a total of 1,031,000 Pre-IPO Options had lapsed following cessation of their employment.

Details of the movements of the Pre-IPO Options during the Reporting Period are as follows:

	Number of Pre-IPO Options						
Grantee	On 1 January 2020[2]	Granted	Exercised	Cancelled	Lapsed	On 30 June 2020	Exercised Period[1]
Chen Yingge (Secretary of the Board and member of senior management of the Company)	10,000	–	–	–	–	10,000	12 March 2019 – 14 December 2022
Other employees	5,203,000	–	–	–	221,000	4,982,000	12 March 2019 – 14 December 2022
Total	5,213,000	–	–	–	221,000	4,992,000	

Notes:

1. 25% of the total number of Pre-IPO Options granted may be exercised during the first exercise period (i.e., from the first trading day following the end of the 12 months from the date of grant until the last trading day of the 5 months from the date of STAR Market Listing), 35% of the total number of Pre-IPO Options granted may be exercised during the second exercise period (i.e., from the first trading day following the end of the 5 months from the date of STAR Market Listing until the last trading day of the 17 months from the date of STAR Market Listing), and 40% of the total number of Pre-IPO Options granted may be exercised during the third exercise period (i.e., from the first trading day following the end of the 17 months from the date of STAR Market Listing until the last trading day of the 29 months from the date of STAR Market Listing).

2. The consideration paid by each grantee for the Pre-IPO Options was nil.

Further details of the Share Incentive Scheme and the Share Incentive Agreements are set out in the Prospectus and the Company's circulars dated 27 May 2019 and 20 April 2020.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company issued 87,130,000 new A Shares in its STAR Market Listing on 15 July 2020. Please also refer to the paragraph "- Issue of A Shares and Listing on the STAR Market of the Shanghai Stock Exchange" above for further details.

Save as disclosed in this interim report regarding the issue of new A Shares in July 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

DIS-APPLICATION OF RULES 18A.09 TO 18A.11 OF THE HONG KONG LISTING RULES

The Company was a biotechnology company which listed its H Shares on the Main Board of the Hong Kong Stock Exchange on 24 December 2018 under Chapter 18A of the Hong Kong Listing Rules. As the Company had satisfied the market capitalization/revenue test under Rule 8.05(3) of the Hong Kong Listing Rules, the Company applied to the Hong Kong Stock Exchange pursuant to Rule 18A.12 of the Hong Kong Listing Rules, and the Hong Kong Stock Exchange granted approval on 9 July 2020, for the dis-application of Rules 18A.09 to 18A.11 of the Hong Kong Listing Rules to the Company. The "B" marker ceased to be affixed to the Company's stock name and stock short name from 15 July 2020. For further details, please refer to the Company's announcements dated 10 July 2020 and 13 July 2020.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. As at the date of this report, the Board comprises six executive Directors, four non-executive Directors and five independent non-executive Directors. The Board has adopted the code provisions (the "**Code Provisions**") of the CG Code as its corporate governance code. During the Reporting Period, the Company has complied with the Code Provisions.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with each of the Directors and Supervisors, they have confirmed that they had complied with such code of conduct during the Reporting Period.

OTHER INFORMATION

USE OF PROCEEDS

Use of Proceeds from the H Share Listing

The total proceeds from the issue of new H Shares in its H Share Listing (after deducting the underwriting fees and related listing expenses) amounted to approximately RMB3,003 million (the "**IPO Proceeds**") and the balance of unutilized net proceeds was approximately RMB320 million as at 30 June 2020 (the "**Unutilized Proceeds**").

The net proceeds from the H Share Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus and subsequently the announcements of the Company dated 29 August 2019 (the "**August 2019 Announcement**") and 28 August 2020 regarding the changes in use of proceeds from the H Share Listing.

On 28 August 2020, the Board resolved to further revise the allocation of the remaining Unutilized Proceeds. Further details are set out in the announcement of the Company dated 28 August 2020.

Set out below is a summary of the Group's planned applications of the IPO Proceeds from the H Share Listing, the actual usage up to 30 June 2020 and the revised allocation of the use of the remaining Unutilized Proceeds:

Planned usage	Planned use of proceeds as disclosed in the Prospectus RMB'000	% of total IPO Proceeds	Planned use of proceeds as disclosed in the 2019 Annual Report (including amount already utilized as at 31 December 2019) RMB'000	% of total IPO Proceeds	Utilized IPO Proceeds up to 30 June 2020 RMB'000	Unutilized Proceeds up to 30 June 2020 RMB'000	Revised allocation of the Unutilized Proceeds RMB'000	% of total IPO Proceeds	Expected timeline for application of the Unutilized Proceeds *(Note 4)*
The R&D and commercialization of the Group's drug candidates	1,952,203	65%	2,162,440	72%	2,086,005	76,435	286,672	79%	Expected to be fully utilized by 31 December 2021
The R&D and commercialization of the Group's Core Product, JS001	1,201,356	40%	1,201,356	40%	1,186,895	14,461	104,562	43%	Expected to be fully utilized by 31 December 2021
The R&D of the Group's other drug candidates to fund clinical trials worldwide, including JS004, etc. *(Note 1a)*	480,542	16%	480,542	16%	466,621	13,921	134,057	20%	Expected to be fully utilized by 31 December 2021

OTHER INFORMATION

Planned usage	Planned use of proceeds as disclosed in the Prospectus RMB'000	% of total IPO Proceeds	Planned use of proceeds as disclosed in the 2019 Annual Report (including amount already utilized as at 31 December 2019) RMB'000	% of total IPO Proceeds	Utilized IPO Proceeds up to 30 June 2020 RMB'000	Unutilized Proceeds up to 30 June 2020 RMB'000	Revised allocation of the Unutilized Proceeds RMB'000	% of total IPO Proceeds	Expected timeline for application of the Unutilized Proceeds (Note 4)
The construction of, acquisition of facilities for and settlement of start- up costs on the Lingang Site and the Wujiang Site (Note 1b)	270,305	9%	480,542	16%	432,489	48,053	48,053	16%	Expected to be fully utilized by 31 December 2021
The Group's investment in the health care and/or life science sector(s), including acquisition of companies, licensing-in and collaboration (Note 1c)	750,847	25%	540,610	18%	303,478	237,132	26,895	11%	Expected to be fully utilized by 31 December 2022
The Group's working capital and other general corporate purposes	300,339	10%	300,339	10%	326,849 (Note 3)	6,286 (Note 3)	6,286	10%	Expected to be fully utilized by 31 December 2021
Total	3,003,389	100%	3,003,389	100%	2,716,332	319,853 (Note 3)	319,853	100%	

Notes:

1. As disclosed in the August 2019 Announcement, in August 2019, adjustments were made on these items from the following original planned usage disclosed in the Prospectus:

   a. Adjusted from "The R&D of the Group's other drug candidates to fund clinical trials".

   b. Adjusted from "The construction of the Lingang Production Base and the Wujiang Production Base".

   c. Adjusted from "The Group's investment in and acquisition of companies in the pharmaceutical sector".

2. Any discrepancies in this table between totals and sums of amounts listed herein are due to rounding.

3. The sum of proceeds includes interests of RMB33 million generated from bank savings accounting in which the IPO proceeds for H Share Listing have been deposited.

4. The expected timeline was based on the Company's estimation of future market conditions and business operations, and remains subject to change based on actual market conditions and business needs.

OTHER INFORMATION

SUBSEQUENT EVENTS

In July 2020, the recombinant humanized anti-Trop2 monoclonal antibody-Tub196 conjugate for injection (project code: JS108), a product of the Company, obtained the Clinical Trial Approval（《藥物臨床試驗批准通知書》）issued by the NMPA. Further details are set out in the Company's announcement dated 21 July 2020.

In July 2020, the Company entered into a research collaboration and license agreement with Revitope to collaborate in the research and development of the next-generation of T-cell engaging cancer immunotherapies that utilize Revitope's proprietary dual-antigen targeting technology platform together with the Company's antibody technology platform. Further details are set out in the Company's announcement dated 14 July 2020.

In August 2020, the Company and IMPACT Therapeutics entered into a joint venture agreement for the formation of a JV Company. The JV Company will mainly engage in the R&D and commercialization of small molecule anti-tumor drugs. IMPACT Therapeutics will contribute for its equity interests by way of injection of a PARP inhibitor Senaparib (IMP4297) as an asset within mainland China, Hong Kong and the Macau Special Administrative Regions. The Company and IMPACT Therapeutics will each own 50% equity interests in the JV Company. Both parties will cooperate in conducting clinical trials, manufacturing, and commercialization preparations for various indications of the IMP4297 project within the above territory. Further details are set out in the Company's announcements dated 20 August 2020 and 26 August 2020.

In August 2020, the collaboration R&D project between the Company and Lily has reached a milestone in the territory of Lilly. The key milestone is expected to bring USD20 million of sub-licensing income to the Company in the third quarter of 2020.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, being Mr. Zhang Chun (Chairman of the Audit Committee), Mr. Chen Xinjun and Mr. Qian Zhi and one non-executive Director, being Mr. Li Cong. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group and overseeing the audit process. Mr. Chen Xinjun holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules.

The Audit Committee has reviewed, together with the management and external auditors of the Company, the accounting principles and policies adopted by the Group, and the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 and this interim report.

OTHER INFORMATION

AUDITOR

The interim financial report for the six months ended 30 June 2020 is unaudited, but have been reviewed by Deloitte Touche Tohmatsu.

All references above to other sections, reports or notes in this interim report form part of this report.

By order of the Board
Shanghai Junshi Biosciences Co., Ltd.*
Mr. Xiong Jun
Chairman

28 August 2020

* *For identification purpose only*

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF SHANGHAI JUNSHI BIOSCIENCES CO., LTD.*
上海君實生物醫藥科技股份有限公司
(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of 上海君實生物醫藥科技股份有限公司 Shanghai Junshi Biosciences Co., Ltd.* (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 73, which comprises the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 August 2020

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	NOTES	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	3	**574,932**	309,306
Cost of sales		**(90,496)**	(40,579)
Gross profit		**484,436**	268,727
Other income	4	**10,234**	12,523
Other gains and losses	5	**22,090**	(9,468)
Impairment loss in respect of trade and other receivables under expected credit loss model, net of reversal		**(44)**	750
Research and development expenses		**(708,912)**	(368,737)
Selling and distribution expenses		**(228,170)**	(110,687)
Administrative expenses		**(144,014)**	(93,315)
Share of losses of associates		**(3,020)**	(160)
Other expenses		**(22,005)**	(9,324)
Finance costs		**(10,109)**	(8,697)
Loss before tax		**(599,514)**	(318,388)
Income tax credit	6	**1,615**	28,889
Loss for the period	7	**(597,899)**	(289,499)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**4,626**	152
Total comprehensive expense for the period		**(593,273)**	(289,347)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	NOTE	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Loss for the period attributable to:			
– Owners of the Company		**(597,899)**	(289,189)
– Non-controlling interests		**–**	(310)
		(597,899)	(289,499)
Total comprehensive expense for the period attributable to:			
– Owner of the Company		**(593,273)**	(289,037)
– Non-controlling interests		**–**	(310)
		(593,273)	(289,347)
Loss per share	*9*		
– Basic (RMB yuan)		**(0.76)**	(0.37)
– Diluted (RMB yuan)		**(0.76)**	(0.37)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	NOTES	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**2,026,147**	1,827,868
Right-of-use assets	*10*	**198,715**	179,518
Other intangible assets		**6,486**	6,291
Interests in associates	*11*	**68,204**	71,224
Interest in a joint venture		**1,022**	1,022
Deferred tax assets		**22,205**	20,590
Other assets, prepayments and other receivables	*13*	**330,820**	335,466
Other financial assets		**103,416**	69,345
		2,757,015	2,511,324
Current assets			
Inventories		**274,497**	180,666
Trade receivables	*12*	**241,315**	157,416
Other assets, prepayments and other receivables	*13*	**616,949**	352,163
Other financial assets		**17**	17
Restricted bank deposits	*14*	**–**	6,828
Bank balances and cash	*14*	**676,284**	1,214,026
		1,809,062	1,911,116
Current liabilities			
Trade and other payables	*15*	**964,513**	514,639
Borrowings	*16*	**349,919**	76,891
Lease liabilities		**22,034**	13,846
		1,336,466	605,376
Net current assets		**472,596**	1,305,740
Total assets less current liabilities		**3,229,611**	3,817,064

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	NOTES	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current liabilities			
Borrowings	*16*	**720,000**	744,896
Deferred income		**66,842**	56,320
Lease liabilities		**43,894**	27,332
		830,736	828,548
Net assets		**2,398,875**	2,988,516
Capital and reserves			
Share capital	*17*	**784,147**	784,147
Reserves		**1,614,731**	2,204,372
Equity attributable to owners of the Company		**2,398,878**	2,988,519
Non-controlling interests		**(3)**	(3)
Total equity		**2,398,875**	2,988,516

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Equity attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Financial liability designated at fair value through profit or loss ("FVTPL") credit risk reserve RMB'000 *(Note)*	Translation reserve RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020 (Audited)	**784,147**	**4,143,394**	**37,338**	**–**	**12,535**	**(1,988,895)**	**2,988,519**	**(3)**	**2,988,516**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(597,899)**	**(597,899)**	**–**	**(597,899)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**4,626**	**–**	**4,626**	**–**	**4,626**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**4,626**	**(597,899)**	**(593,273)**	**–**	**(593,273)**
Recognition of equity-settled share-based payment	**–**	**–**	**3,632**	**–**	**–**	**–**	**3,632**	**–**	**3,632**
At 30 June 2020 (Unaudited)	**784,147**	**4,143,394**	**40,970**	**–**	**17,161**	**(2,586,794)**	**2,398,878**	**(3)**	**2,398,875**
At 1 January 2019 (Audited)	760,310	3,775,539	21,700	(9,367)	9,357	(1,235,293)	3,322,246	(1,113)	3,321,133
Loss for the period	–	–	–	–	–	(289,189)	(289,189)	(310)	(289,499)
Exchange differences on translation of foreign operations	–	–	–	–	152	–	152	–	152
Total comprehensive income (expense) for the period	–	–	–	–	152	(289,189)	(289,037)	(310)	(289,347)
Shares issued upon over-allotment options exercised	23,837	380,001	–	–	–	–	403,838	–	403,838
Transaction costs attributable to issue of new H shares	–	(12,146)	–	–	–	–	(12,146)	–	(12,146)
Recognition of equity-settled share-based payment	–	–	8,066	–	–	–	8,066	–	8,066
At 30 June 2019 (Unaudited)	784,147	4,143,394	29,766	(9,367)	9,509	(1,524,482)	3,432,967	(1,423)	3,431,544

Note: Financial liability designated at FVTPL credit risk reserve represented the amount of change in fair value of convertible loan notes issued by the Company which was classified as financial liability designated at FVTPL under IFRS 9 which was attributable to changes in credit risk of the Company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(525,943)**	(660,090)
Investing activities		
Interest received	**6,155**	11,815
Payments for property, plant and equipment	**(242,716)**	(390,712)
Payments for other intangible assets	**(1,044)**	(2,179)
Upfront payments for right-of-use assets	**–**	(43,535)
Payments for rental deposits	**(2,304)**	(520)
Refund of rental deposits	**234**	–
Acquisition of other financial assets	**(10,000)**	(1,000)
Disposal of other financial assets	**106**	4,562
Placement of restricted bank deposits	**–**	(23,310)
Withdrawal of restricted bank deposits	**6,828**	16,482
Repayment from a joint operation	**9,443**	–
Advance to a joint operation	**(3,744)**	(5,876)
Acquisition of interest in an associate	**–**	(2,900)
Receipt of government grants	**1,948**	–
Net cash used in investing activities	**(235,094)**	(437,173)
Financing activities		
Proceeds on issue of new H shares	**–**	403,838
Repayments for lease liabilities	**(7,218)**	(7,442)
Payments for transaction costs for the issue of new shares on STAR (as defined in Note 1)	**(2,319)**	–
Payments for transaction costs for the issue of new H Shares	**–**	(23,297)
Proceeds from borrowings	**323,570**	700,225
Repayments of borrowings	**(75,615)**	(478,686)
Interest paid	**(23,654)**	(8,754)
Net cash from financing activities	**214,764**	585,884

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net decrease in cash and cash equivalents	**(546,273)**	(511,379)
Cash and cash equivalents at 1 January	**1,214,026**	2,763,570
Effect of foreign exchange rate changes	**8,531**	43,758
Cash and cash equivalents at 30 June, represented by bank balances and cash	**676,284**	2,295,949

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL

Shanghai Junshi Biosciences Co., Ltd. (the "Company") was established in the People's Republic of China (the "PRC") on 27 December 2012 and converted into a joint stock company with limited liability in May 2015. In August 2015, the Company became listed on the National Equities Exchange and Quotations ("NEEQ") (stock code 833330). On 24 December 2018, the Company became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code 1877). The domestic shares of the Company were delisted from NEEQ since 8 May 2020, and were converted into A shares and listed on the Science and Technology Innovation Board (the "STAR Market") on 15 July 2020 (stock code: 688180). Its ultimate controlling party is Mr. Xiong Jun, who is also the chairman and executive director of the Company. The respective addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the interim report.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are mainly discovery, development and commercialisation of innovative drugs.

The condensed consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as appropriate.

Except the additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs") and application of certain accounting policies which became relevant to the Group as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Accounting Policy newly applied by the Group

Revenue from contracts with customers – Sub-licensing income

For granting of a licence that is distinct from other promised goods or services, the nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a licence as a performance obligation satisfied over time. Otherwise, the Group considers the grant of licence as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the licence is granted.

Revenue from contracts with customers – Provision of research and development service

Revenue is recognised at a point of time when performance obligation is completed and the Group has a present right to payment for the services performed.

Variable consideration

For sub-licensing income that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Accounting Policy newly applied by the Group (Continued)

Variable consideration (Continued)

Notwithstanding the above criteria, the Group shall recognise revenue for a sales-based or usage-based royalty promised in exchange for a licence of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale or usage occurs; and
- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts of application on Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide a new definition of material that states "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, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the applications of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sale of pharmaceutical products	**430,694**	308,341
Sub-licensing income *(Note i)*	**70,956**	–
Service income *(Note ii)*	**73,282**	965
	574,932	309,306

For the purposes of resource allocation and assessment, the Group's management reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures are presented.

Notes:

(i) For the period ended 30 June 2020, the Group entered into a license agreement with an independent third party ("Licensor"), under which the Group obtained a worldwide exclusive and sub-licensable right to develop, manufacture and commercialise of a potential therapeutic antibodies product. The Group subsequently entered into sub-licence agreement with independent third party ("Licensee") for the right to develop, manufacture and commercialise that potential product in the territory other than the PRC. The Group received upfront fee of USD10,000,000 (equivalent to RMB70,956,000) as at 30 June 2020 and the Group may receive milestone payments up to an aggregate USD245,000,000. As at 30 June 2020, the Group has completed the agreed scope of service with the Licensee and passed the research materials to the Licensee for its Investigational New Drug (the "IND") filing, which was completed as at 30 June 2020. The Group has fulfilled the performance obligation at a point in time and therefore, the upfront payment is recognised as sub-licensing income during the period ended 30 June 2020.

(ii) Following the sub-licensing arrangement mentioned at above note (i), the Group also provided research and development services to the Licensee for its IND filing. The consideration of the research and development services are USD10,328,000 (equivalent to RMB73,282,000). As at 30 June 2020, the Group has fulfilled the performance obligation of the research and development services at a point in time and therefore, the full amount is recognised as service income during the period ended 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. OTHER INCOME

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income from bank and time deposits	**6,155**	11,815
Government grants *(Note)*	**4,079**	708
	10,234	12,523

Note: Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery, which are recognised as income over the useful life of the related assets; (ii) the incentive and other subsidies for research and development activities, which are recognised as income upon meeting specific condition; and (iii) the incentives which have no specific conditions attached to the grants.

5. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net gains from fair value changes of other financial assets measured at FVTPL	**24,177**	62
Exchange loss, net	**(469)**	(33,949)
Loss on disposal of property, plant and equipment	**(48)**	–
Write-down of inventories	**(1,570)**	–
Gain on fair value changes of convertible loan notes measures at FVTPL	**–**	14,513
Amounts included in the cost of properties under construction *(Note)*	**–**	9,906
	22,090	(9,468)

Note: The Group designated the convertible loan notes as a single financial liability which included debt instrument portion. As such, the fair value changes incorporated the effective interest of the convertible loan notes and the portion directly attributable to the construction of qualifying assets are eligible for capitalisation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

6. INCOME TAX CREDIT

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax	**–**	–
Underprovision in prior year:		
United States Corporate Income Tax	**–**	(408)
	–	(408)
Deferred tax	**1,615**	29,297
	1,615	28,889

Under the law of the PRC Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the basic tax rate of the Company and its PRC subsidiaries is 25% for both periods.

Shanghai Junshi Biotechnology Co., Ltd.* 上海君實生物工程有限公司, a wholly-owned subsidiary, has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Shanghai and relevant authorities on 2 November 2018 for a term of three years, and has been registered with the local tax authorities for enjoying the reduced 15% EIT rate. Accordingly, the profits derived by the subsidiary is subject to 15% EIT rate for the Reporting Period. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authorities in the PRC for every three years.

The US Tax Cuts and Jobs Act ("Act") reduces the US Federal Corporate Income Tax rate to a flat rate of 21% for both periods.

TopAlliance Biosciences Inc., a wholly-owned subsidiary of the Company, is subject to the US California Corporate Income Tax rate of 8.84% for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

7. LOSS FOR THE PERIOD

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging (crediting) the following items:		
Amortisation for other intangible assets	**849**	378
Depreciation for property, plant and equipment	**43,467**	18,310
Less: amounts included in the cost of inventories	**(24,457)**	–
	19,010	18,310
Depreciation of right-of-use assets	**12,771**	9,215
Less: amounts included in the cost of properties under construction	**(1,634)**	(2,053)
	11,137	7,162
Expenses relating to short-term leases and low-value assets	**3,336**	3,480
Donation expenses (included in other expenses)	**21,189**	9,324
Cost of inventories recognised as expense		
– Cost of sales	**47,415**	39,629
– Research and development expenses	**117,319**	34,825
Staff costs (including directors' emoluments):		
– Salaries and other benefits	**318,851**	176,430
– Retirement benefit scheme contributions	**2,737**	11,167
– Share-based payment expenses	**3,632**	8,066
Less: amounts included in the cost of properties under construction	**(20,897)**	(21,986)
amounts included in the cost of inventories	**(12,848)**	(12,639)
	291,475	161,038

8. DIVIDENDS

No dividends were paid, declared or proposed during both periods. The directors of the Company have determined that no dividend will be paid in respect of both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

9. LOSS PER SHARE

(a) Basic

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(597,899)**	(289,189)

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share	**784,146,500**	783,092,953

(b) Diluted

The Company issued the convertible loan notes on 23 February 2018. For the purpose of calculation of diluted loss per share for the period ended 30 June 2019, it did not assume the conversion of the convertible loan notes since their assumed conversion would result in a decrease in loss per share. The convertible loan notes had been redeemed subsequent to the period ended 30 June 2019, therefore, there was no impact to the calculation of diluted loss per share for the period ended 30 June 2020.

The Company granted share options on 14 May 2018 as set out in Note 18 and over-allotment option as per underwriting agreement entered on 16 December 2018. The over-allotment options was exercised in January 2019. The computation of diluted loss per share for the period ended 30 June 2019 does not assume the exercise of the Company's outstanding share options and over-allotment share option since their assumed exercise would result in a decrease in loss per share. The computation of diluted loss per share for the period ended 30 June 2020 does not assume the exercise of the Company's outstanding share options as their assumed exercise would result in a decrease in loss per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group incurred RMB241,648,000 (2019: RMB299,033,000) for acquisition of equipment under installation and construction of a manufacturing plant in the PRC in order to upgrade its manufacturing capacities.

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 1 to 5 years. The Group is required to make fixed monthly payments on the usage of the assets during the contract period. On lease commencement, the Group recognised right-of-use assets of RMB31,968,000 (2019: RMB4,491,000) and lease liabilities of RMB31,968,000 (2019: RMB4,491,000).

11. INTERESTS IN ASSOCIATES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Cost of investments in associates	**73,746**	73,746
Share of post-acquisition loss	**(4,071)**	(1,181)
Exchange adjustments	**(1,471)**	(1,341)
	68,204	71,224

12. TRADE RECEIVABLES

The Group allows an average credit period from 30 to 60 days (2019: 30 to 45 days) to its trade customers.

The following is an analysis of trade receivables by age (net of loss allowance) presented based on invoice dates at the end of the reporting period.

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
0 to 30 days	**115,487**	96,647
31 to 90 days	**117,197**	60,235
91 to 180 days	**8,631**	534
	241,315	157,416

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13. OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Deposits *(Note a)*		
– current	**5,139**	4,548
– non-current	**9,356**	8,584
Prepayments		
– current *(Note b)*	**263,886**	300,927
– non-current *(Note c)*	**191,314**	201,156
Amount due from a partner of a joint operation *(Note d)*		
– current	**400**	6,099
Deposits for leasehold interest in land *(Note e)*		
– current	**2,715**	5,430
Value added tax recoverable *(Note f)*		
– current	**6,255**	25,371
– non-current	**130,150**	125,726
Deferred issue costs – current *(Note g)*	**338,737**	10,376
	947,952	688,217
Less: Allowance for credit losses	**(183)**	(588)
	947,769	687,629
Analysed as:		
– current	**616,949**	352,163
– non-current	**330,820**	335,466
	947,769	687,629

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13. OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes:

(a) Deposits mainly include rental and utility deposits.

(b) Prepayments mainly include upfront fee paid for research and development services for the clinical and non-clinical study of the drugs. Prepayments also include other prepaid operating expenses and prepayments for purchase of raw materials.

(c) Amount represents prepayments for construction in progress and acquisition of property, plant and equipment.

(d) The amount is unsecured, non-interest bearing and repayable on demand.

(e) In December 2016, the Group paid a refundable and interest-bearing deposit amounting to RMB13,574,000 to Development and Construction Management Committee of Shanghai Lingang industrial area for acquiring the use right of a land located in Shanghai Lingang Industrial Area ("Shanghai Lingang") in order to construct its industrialisation facility to produce future drug pipelines. 60% of the deposit of RMB8,144,000 with interest income of RMB15,000 amounting to RMB8,159,000 was refunded upon the commencement of the construction in August 2017, 20% of the deposit will be refunded upon completion of the construction and the remaining 20% of the deposit will be refunded upon the commencement of production. The management expected the production will be commenced within one year subsequent to the end of the reporting period.

RMB2,715,000 (2019: RMB5,430,000) is expected to be recovered within the next twelve months from the end of the reporting period and therefore presented as current assets as at 30 June 2020.

(f) Included in value added tax recoverable are RMB6,255,000 (2019: RMB25,371,000) value added tax recoverable presented as current assets as at 30 June 2020 since they are expected to be deducted from future value added tax payable arising on the Group's revenue which are expected to be generated within the next twelve months from the end of 30 June 2020. The remaining value added tax recoverable of RMB130,150,000 (2019: RMB125,726,000) are expected to be recovered after 30 June 2021 and therefore presented as non-current assets as at 30 June 2020.

(g) The amount represents deferred issue costs for the Company's application for the listing on the STAR Market of the Shanghai Stock Exchange.

14. RESTRICTED BANK DEPOSIT/BANK BALANCES AND CASH

Restricted bank deposit represents the deposit restricted for settlement to the supplier for acquisition of equipment. The restricted bank deposit was released on 30 April 2020.

Bank balances and cash of the Group comprised cash and short-term bank deposits with an original maturity of three months or less. Bank balances carrying interest at market rates which ranged from 0.05% to 2.7% per annum as at 30 June 2020 (2019: 0.3% to 3.6% per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15. TRADE AND OTHER PAYABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade payables	**64,540**	74,616
Accrued expenses in respect of:		
– construction cost of properties under construction	**91,868**	112,561
– research and development expenses *(Note)*	**236,562**	98,621
– selling and distribution expenses	**9,967**	14,919
– others	**29,095**	42,948
Salary and bonus payables	**105,238**	113,311
Other tax payables	**8,628**	10,409
Payables for issue costs	**348,793**	13,565
Other payables	**69,822**	33,689
	964,513	514,639

Note: Amount included service fees paid to outsourced service providers including contract research organisations and clinical trial sites.

Payment terms with suppliers are mainly with credit term of 15 to 60 days (2019: 15 to 60 days) from the time when the goods and services are received from the suppliers. The following is an aging analysis of trade payables presented based on invoice date at the end of the reporting period:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
0 to 30 days	**48,836**	58,726
31 to 60 days	**6,679**	2,946
61 to 180 days	**4,013**	11,426
Over 180 days	**5,012**	1,518
	64,540	74,616

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

16. BORROWINGS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Bank borrowings		
– secured	**801,161**	746,085
– unsecured	**268,758**	75,702
	1,069,919	821,787
The maturity profile of bank borrowings is as follows:		
– within one year	**349,919**	76,891
– within a period of more than one year but not exceeding five years	**720,000**	744,896
	1,069,919	821,787
Less: amount due within one year shown under current liabilities	**(349,919)**	(76,891)
Amount shown under non-current liabilities	**720,000**	744,896

The bank borrowings carry fixed interest rate at 4.35% to 5.23% per annum (2019: ranged from 4.35% to 5.23% per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. SHARE CAPITAL

	Total number of shares	Amount RMB'000
Registered, issued and fully paid at RMB1.0 per share:		
At 1 January 2019 (Audited)	760,310,000	760,310
H shares issued upon the exercise of over-allotment options *(Note)*	23,836,500	23,837
At 30 June 2019 (Unaudited), 31 December 2019 (Audited) and 30 June 2020 (Unaudited)	784,146,500	784,147

Note: On 9 January 2019, the Company issued 23,836,500 new H shares at HK$19.38 (equivalent to RMB16.94) per share for a total gross proceeds of HK$461,951,000 (equivalent to RMB403,838,000) from the exercise of over-allotment options from initial public offering of the Company on the Stock Exchange. The proceeds of RMB23,836,500 representing the par value of the shares of the Company were credited to the Company's share capital. The remaining proceeds of RMB380,001,500 were credited to the share premium account of the Company.

All the new shares rank pari passu with the existing shares of the same class in all respects.

18. SHARE-BASED PAYMENT TRANSACTIONS

On 12 March 2018, the Company entered into share incentive agreements with eligible employees, pursuant to which the Company agreed to grant up to 6,023,000 share options, with exercise price of RMB9.2 per share. The Company's share incentive scheme (the "Scheme") was adopted subsequently pursuant to a resolution passed on 14 May 2018, for the primary purpose of providing incentives or rewards to eligible persons for their contribution or potential contribution to the Group. Eligible persons include but are not limited to the Group's shareholders, directors, supervisors, senior management and employees. The options are vested as follows:

On 1st anniversary of the first trading day following the end of the 12 months from 12 March 2018	25% vest
On 2nd anniversary of the first trading day following the end of the 24 months from 12 March 2018	further 35% vest
On 3rd anniversary of the first trading day following the end of the 36 months from 12 March 2018	remaining 40% vest

Subject to the respective terms of issue, options may be exercised at the expiry date. If the employees choose not to exercise the options on the expiry date, the options will expire at the end of the date and no longer be exercisable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

18. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Other than the amendments to the Scheme ("Amended Scheme") mentioned in Group's annual financial statements for the year ended 31 December 2019, on 11 May 2020, resolutions of amendments to the Scheme ("Second Amended Scheme") was passed in the Annual General Meeting of the Company and was approved by the board of directors. Additional vesting conditions were added into the Scheme and the expiry date of each unvested tranche was extended for additional 9 months and 4 days to the Second Amended Scheme. The change of fair value of the share options at the date of modification resulting from the Amended Scheme and Second Amended Scheme is immaterial and not taken into account. The amount of share-based payment expenses recognised continues to be measured based on the grant date fair value and amortised over the original vesting period under the Scheme.

The table below discloses movement of the Company's share options held by the Group's employees (details as modified by the Second Amended Scheme):

						Number of share options		
Date of grant	Exercise price RMB	Vesting date (before the Second Amended Scheme)	Vesting date (after the Second Amended Scheme)	Expiry date (before the Second Amended Scheme)	Expiry date (after the Second Amended Scheme)	Outstanding at 1 January 2020 (Audited)	Forfeited during the period	**Outstanding at 30 June 2020 (Unaudited)**
14 May 2018	9.20	12 March 2019	12 March 2019	12 March 2020	15 December 2020	1,303,250	(55,250)	**1,248,000**
14 May 2018	9.20	12 March 2020	16 December 2020	12 March 2021	15 December 2021	1,824,550	(77,350)	**1,747,200**
14 May 2018	9.20	12 March 2021	16 December 2021	12 March 2022	15 December 2022	2,085,200	(88,400)	**1,996,800**
						5,213,000	(221,000)	**4,992,000**
Exercisable at the end of the period								**1,248,000**
Weighted average exercise price (RMB)						9.2	9.2	**9.2**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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18. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following assumptions were used to calculate the fair values of share options at the date of grant (i.e. 14 May 2018):

	Tranche 1	Tranche 2	Tranche 3
Share price *(Note a)*	RMB18.00	RMB18.00	RMB18.00
Exercise price	RMB9.20	RMB9.20	RMB9.20
Expected volatility *(Note b)*	36.40%	31.40%	43.30%
Dividend yield	0%	0%	0%
Risk-free rate	2.90%	3.10%	3.20%
Fair value per option	RMB9.11	RMB9.47	RMB10.34

Notes:

(a) The share price represents the grant date listing price of the Company's shares on NEEQ.

(b) The expected volatility was determined by using the historical volatility of the share price of comparable companies with similar business nature of the Company as of the valuation dates.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

19. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**405,130**	427,095

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value measurement and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The finance department of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The fair values of these financial assets and financial liabilities (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) are determined based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Financial assets	Fair value as at 30 June 2020 RMB'000 (Unaudited)	Fair value as at 31 December 2019 RMB'000 (Audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Funds	17	17	Level 2	Fair value determined based on fair value of underlying debt investment using discounted cash flow method based on the return from the underlying investment and quoted market price of underlying equity investment	N/A
Unlisted equity investment	15,000	15,000	Level 3	Market comparison approach – in this approach, fair value was determined with reference to Enterprise Value-to-Sales ratio ("EV/S ratio").	Discount rate of 27% (2019: 24%) and EV/S multiple of 8.03 (2019: 5.44), taking into account management's experience and knowledge of market conditions
Unlisted equity investment	3,000	3,000	Level 3	Market comparison approach – in this approach, fair value was determined with reference to Price-to-cumulative Research & Development Expenses multiple ("P/R&D multiple").	Discount rate of 26% (2019: 26%) and P/R&D multiple of 4.70 (2019: 4.70), taking into account management's experience and knowledge of market conditions
Unlisted equity investment	75,416	51,345	2020: Level 3 (2019: Level 2)	2020: Market comparison approach – in this approach, fair value was determined with reference to Price-to-cumulative Research & Development Expenses multiple ("P/R & D multiple") (2019: recent transaction price)	Discount rate of 25% (2019: N/A) and P/R & D multiple of 17.96 (2019: N/A), taking into account management's experience and knowledge of market conditions
Unlisted equity investment	10,000	–	2020: Level 2 (2019: N/A)	2020: Recent transaction price (2019: N/A)	N/A

There were no transfers between Level 1 and Level 2 during both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 fair value measurements

	Unlisted equity investment RMB'000
At 1 January 2019 (Audited)	–
Transfer into Level 3 due to change of valuation technique	15,000
At 30 June 2019 (Unaudited)	15,000
At 1 January 2020 (Audited)	18,000
Fair value change in profit or loss during the period *(Note 5)*	24,177
Disposed	(106)
Transfer into Level 3 due to change of valuation technique	51,345
At 30 June 2020 (Unaudited)	93,416

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and liabilities of the Group recorded at amortised cost in the condensed consolidated financial statements approximate to their value based on the discounted cash flow analysis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

21. RELATED PARTIES DISCLOSURES

Except as disclosed elsewhere in the condensed consolidated financial statements, the Group had also entered into the following transactions with related parties:

(a) Research and development expenses incurred

	For the six months ended 30 June	
Name of related parties	**2020**	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
United-Power Pharma Tech Co., Ltd.* ("UPPT") *(Note)*	**N/A**	7,200

Note: UPPT was an associate of Beijing Zhengdan International Technology Co., Ltd.* ("BJZD"). BJZD is a non-controlling shareholder of Beijing Junke Jingde Biotechnology Co., Ltd* ("Beijing Junke"), a subsidiary of the Company. Since Beijing Junke had been dissolved during the year ended 31 December 2019, accordingly, UPPT is no longer a related party of the Group.

(b) Interest expenses incurred

	For the six months ended 30 June	
Name of related party	**2020**	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Shenzhenshi Qianhai Hehong Investment Co., Ltd* (深圳市前海和弘投資有限公司)	**–**	456

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

21. RELATED PARTIES DISCLOSURES (Continued)

(c) Compensation of directors and key management personnel

The remuneration of directors of the Company and other members of key management during both periods were as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits and performance bonus	**29,988**	19,881
Share-based payment expenses	**11**	431
Post-employment benefits	**184**	316
	30,183	20,628

The remuneration of key management personnel is determined by the management of the Company having regard to the performance of individuals and market trends.

22. EVENT AFTER REPORTING PERIOD

On 15 July 2020, the Company's domestic shares which had been delisted from NEEQ since 8 May 2020 is converted into A shares and listed on the STAR Market. Together with the newly issued 87,130,000 A shares, a total of 688,530,000 A shares of the Company were listed on the STAR Market and trading commenced (Stock Code: 688180). Upon completion of the listing, the newly issued A shares at RMB55.5 per share contributed a total gross proceed of RMB4,835,715,000.

On 19 August 2020, the Group entered into a joint venture agreement with IMPACT Therapeutics, Inc.* (南京英派藥業有限公司) for the formation of a joint venture. The Group will contribute RMB100,000,000 in cash, representing 50% of the registered capital of the joint venture.

In August 2020, the first milestone of the sub-licensing arrangement as mentioned in Note 3 has been achieved by the Licensee and the Group is entitled for the first milestone payment. Accordingly, the Group may receive the corresponding milestone payment of USD20,000,000 from the Licensee in the second half of 2020.

DEFINITIONS

A Share(s)	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in Renminbi and have been issued and listed on the STAR Market since 15 July 2020
A Shareholder(s)	holder(s) of A Share(s)
Articles of Association	articles of association of the Company
Audit Committee	the audit committee of the Company
Board of Supervisors	the Company's board of Supervisors
Board or Board of Directors	the Company's board of Directors
CG Code	Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules
Companies Ordinance	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong
Company	Shanghai Junshi Biosciences Co., Ltd.* (上海君實生物醫藥科技股份有限公司)
CSRC	China Securities Regulatory Commission
Director(s)	director(s) of the Company
Domestic Share(s)	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in Renminbi. The Domestic Shares were previously listed on the NEEQ and were delisted from the NEEQ on 8 May 2020. All Domestic Shares have been converted into A Shares and listed on the STAR Market on 15 July 2020
FDA	U.S. Food and Drug Administration
Grantee(s)	person(s) being granted Pre-IPO Option(s) under the Share Incentive Scheme and the Share Incentive Agreements
Group	the Company and its subsidiaries
H Share(s)	overseas-listed share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and are listed on Hong Kong Stock Exchange

DEFINITIONS

H Share Listing	the listing of the Company's H Shares on the Hong Kong Stock Exchange on 24 December 2018
H Shareholder(s)	holder(s) of H Share(s)
HKD or HK$	Hong Kong dollars, the official currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of PRC
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFRS	International Financial Reporting Standards
IND	Investigational New Drug
Junshi Biotechnology	Shanghai Junshi Biotechnology Co., Ltd.* (上海君實生物工程有限公司), a direct wholly-owned subsidiary of the Company
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules
NDA	New Drug Application
NEEQ	National Equities Exchange and Quotations
NMPA	National Medical Products Administration of China
Nomination Committee	the nomination committee of the Company
PRC or China	the People's Republic of China
Pre-IPO Options	option(s) granted by the Company to certain employees as share incentive under the Share Incentive Scheme and the Share Incentive Agreements
Prospectus	the prospectus of the Company in respect of its H Share Listing dated 11 December 2018
R&D	research and development
Remuneration and Appraisal Committee	the remuneration and appraisal committee of the Company

DEFINITIONS

Reporting Period	the six months ended 30 June 2020
RMB	Renminbi
SFO	the Securities and Futures Ordinance, Charter 571 of the laws of Hong Kong
Shanghai Stock Exchange or SSE	The Shanghai Stock Exchange
Share Incentive Agreement(s)	contract(s) entered into between the Company and the respective grantee(s) in March 2018 in relation to the grant of the Pre-IPO Option(s) (as amended and supplemented from time to time)
Share Incentive Scheme	the Company's Share Incentive Scheme approved and adopted by its Shareholders on 14 May 2018 (as amended with effect from 15 July 2020)
Share(s)	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Shares and Domestic Shares
Shareholder(s)	holder(s) of the Share(s)
STAR Market	the STAR Market of the Shanghai Stock Exchange
STAR Market Listing	the listing of the Company's A Shares on the STAR Market on 15 July 2020
Strategic Committee	The strategic committee of the Company
Suzhou Union Biopharm	Suzhou Union Biopharm Biosciences Co., Ltd.* (蘇州眾合生物醫藥科技有限公司), a direct wholly-owned subsidiary of the Company
USD	United States dollars
U.S.	the United States
%	per cent

In this interim report, the terms "associate", "close associate", "connected person", "connected transaction", "controlling shareholder", "core connected person", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese are translations of the Chinese names. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

* *For identification purpose only*