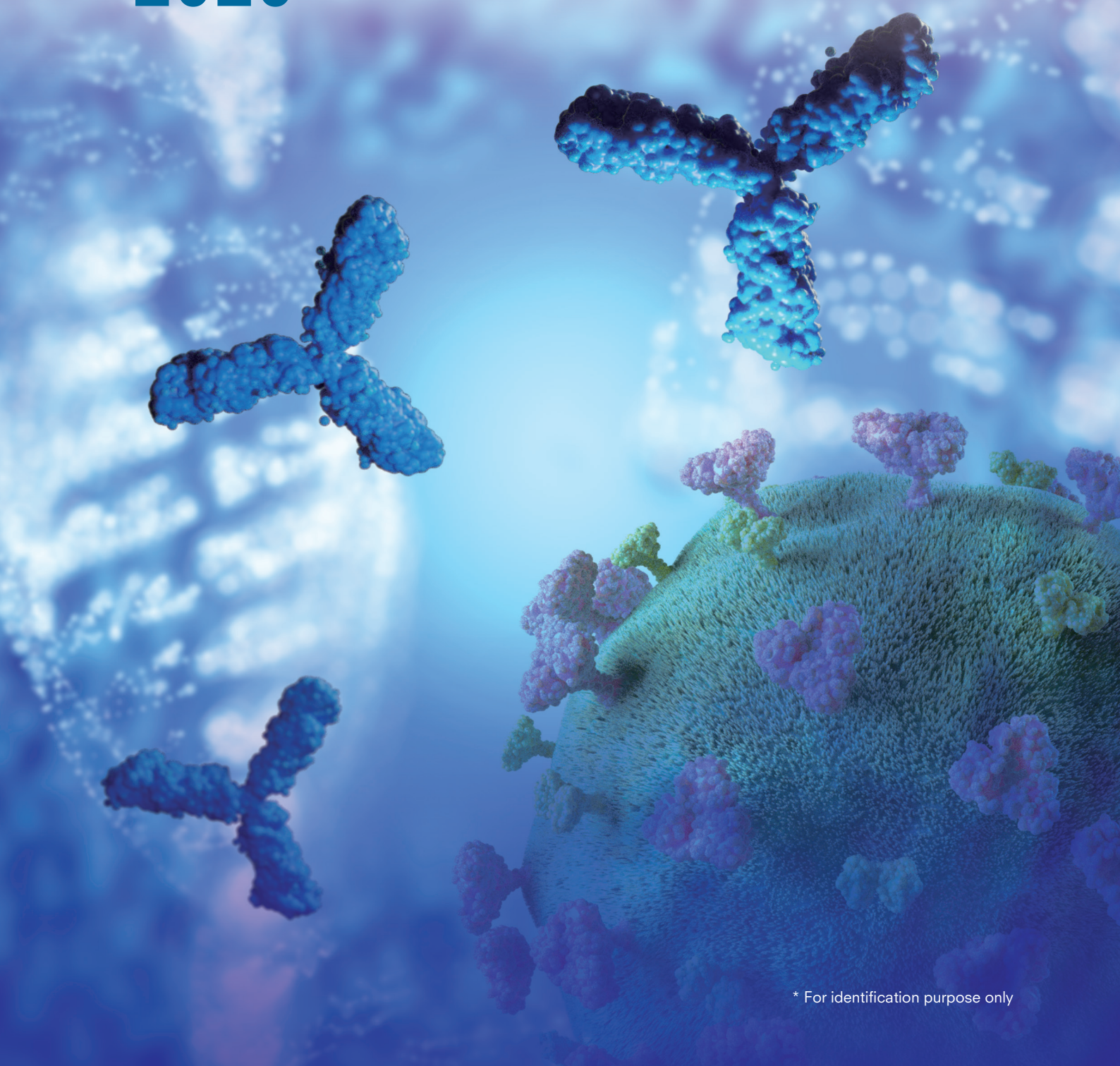
上海君實生物醫藥科技股份有限公司
Shanghai Junshi Biosciences Co., Ltd.*

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

Stock code: 1877

ANNUAL REPORT

2020



* For identification purpose only

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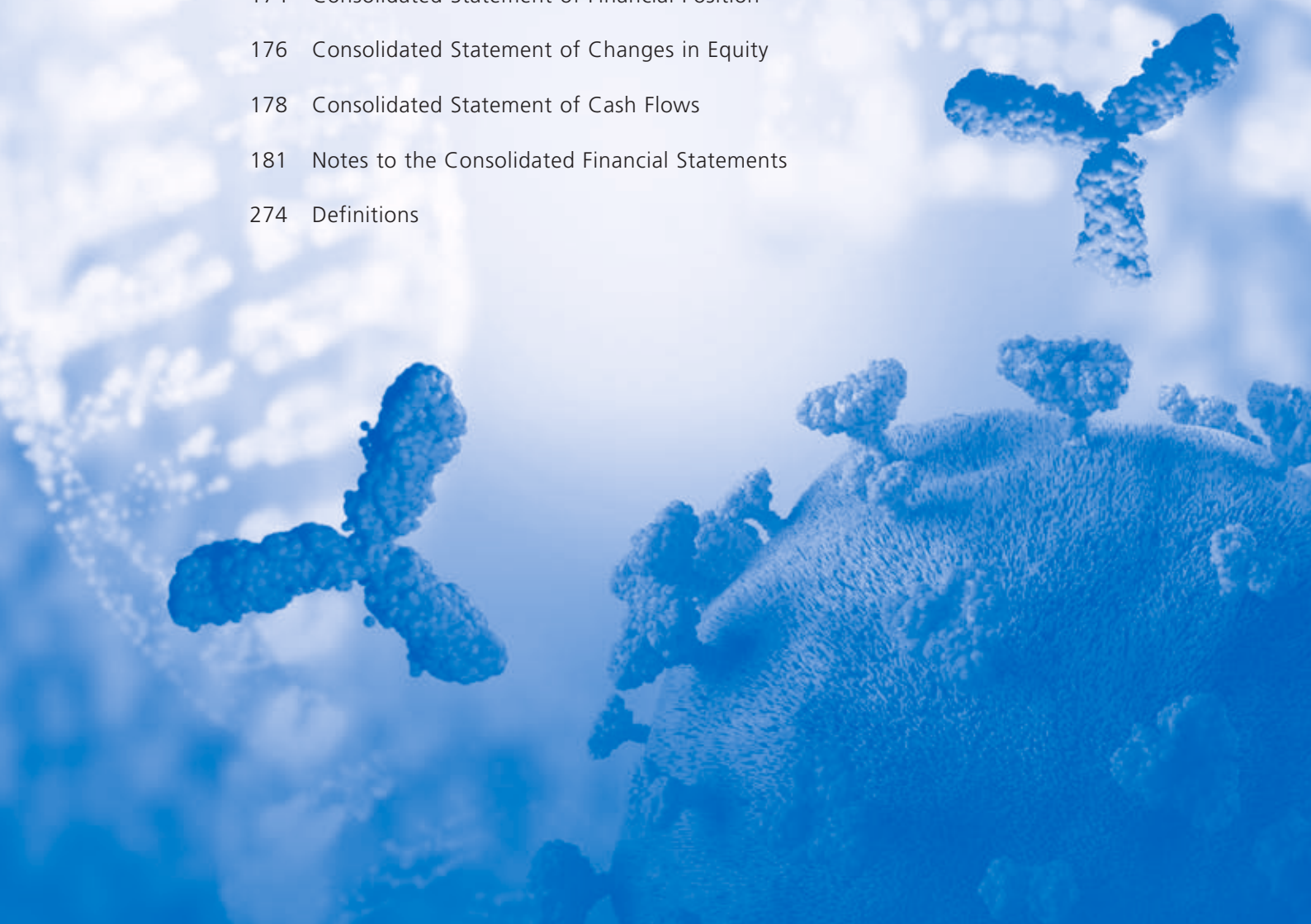

CORPORATE INFORMATION

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. Yao Sheng

NON-EXECUTIVE DIRECTORS

Dr. Wu Hai[1]
Mr. Tang Yi
Mr. Li Cong
Mr. Yi Qingqing
Mr. Lin Lijun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Chen Lieping
Mr. Qian Zhi
Mr. Zhang Chun[2]
Dr. Jiang Hualiang[3]
Dr. Roy Steven Herbst
Mr. Chen Xinjun[4]
Dr. He Jia[5]

SUPERVISORS

Mr. Wu Yu *(Chairman of the Board of Supervisors)*
Ms. Wang Pingping
Mr. Liu Jun
Ms. Li Ruolin
Mr. Fu Cexiong[6]
Ms. Nie Anna[7]

AUDIT COMMITTEE

Mr. Zhang Chun[2] *(Chairman)*
Mr. Li Cong
Mr. Qian Zhi
Mr. Chen Xinjun[4]
Dr. He Jia[5]

NOMINATION COMMITTEE

Dr. Jiang Hualiang[3] *(Chairman)*
Mr. Xiong Jun
Mr. Qian Zhi
Mr. Chen Xinjun[4]

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Zhang Chun[2] *(Chairman)*
Mr. Xiong Jun
Dr. Li Ning
Dr. Jiang Hualiang[3]
Mr. Qian Zhi
Mr. Chen Xinjun[4]
Dr. He Jia[5]

STRATEGIC COMMITTEE

Mr. Xiong Jun *(Chairman)*
Dr. Li Ning
Dr. Chen Lieping
Mr. Zhang Chun
Dr. Roy Steven Herbst
Dr. He Jia[5]

JOINT COMPANY SECRETARIES

Ms. Chen Yingge
Ms. Wong Yik Han

AUTHORIZED REPRESENTATIVES

Dr. Li Ning
Ms. Chen Yingge

CORPORATE INFORMATION

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

LEGAL ADVISERS

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

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LISTING

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

NUMBER OF SHARES (AS AT THE DATE OF THIS REPORT)

872,496,000 Shares
(including 182,746,500 H Shares and
689,749,500 A 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] Re-designated as a non-executive Director on 14 October 2020
[2] Appointed with effect from 19 June 2020
[3] Appointed with effect from 16 November 2020
[4] Resigned with effect from 16 November 2020
[5] Resigned with effect from 19 June 2020
[6] Appointed with effect from 16 November 2020
[7] Resigned with effect from 16 November 2020

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- As at 31 December 2020, total revenue of the Company reached RMB1,595 million during the Reporting Period, representing an increase of 106% compared to the year 2019. In particular, the revenue from sales of TUOYI® (toripalimab) reached RMB1,003 million with gross profit margin of 89%. In addition to the sales of toripalimab, out-licensing also contributed RMB405 million income during the Reporting Period.

- Total R&D expenses were RMB1,778 million during the Reporting Period, representing an increase of 88% compared to the year 2019. The increase in R&D expenses was mainly due to: (i) continued increasing investment in in-house R&D projects to ensure the promising progress of pivotal clinical trials and pre-clinical studies during the Reporting Period; and (ii) more R&D collaboration and license-in activities which is further expanding our product pipelines. The innovative R&D fields of the Company have expanded from monoclonal antibodies to more drug types, including small molecule drugs, antibody drug conjugates (ADCs), bifunctional fusion proteins and cell therapies, as well as the exploration of next-generation innovative therapies for cancer and autoimmune diseases.

- Net cash from financing activities was RMB4,414 million during the Reporting Period, which was mainly attributable to the successful new issue of the Company's A Shares on the STAR Market of the Shanghai Stock Exchange with proceeds of RMB4,497 million through the initial public offering on 15 July 2020.

- Total comprehensive expense of the Company was RMB1,688 million during the Reporting Period, representing an increase of 128% compared to the year 2019, which was mainly attributable to the revenue from sales of toripalimab, revenue from out-licensing and service income but offset by the increasing R&D expenses, administrative expenses and selling and distribution expenses.

BUSINESS HIGHLIGHTS

From the beginning of the Reporting Period to the date of this report, we have achieved significant progress with respect to our product commercialization, clinical trials, pipeline expansion and construction of production bases, including:

- TUOYI® (toripalimab) was successfully included in the new catalogue of the National Reimbursement Drug List upon negotiations, which will further enhance the domestic affordability and accessibility of the drug.

- The supplemental NDA for TUOYI® (toripalimab) received a second conditional approval for the treatment of patients with recurrent or metastatic nasopharyngeal carcinoma after failure of at least two lines of prior systemic therapy.

- TUOYI® (toripalimab) has been granted 1 breakthrough therapy designation, 1 fast track designation and 3 orphan-drug designations by the U.S. FDA for the treatment of mucosal melanoma, nasopharyngeal carcinoma and soft tissue sarcoma, and has been included in the Drug List of the Procedure for Breakthrough Therapy Designation by the NMPA. The supplemental NDA of TUOYI® (toripalimab) for the second-line treatment of metastatic urothelial carcinoma received priority review from the NMPA in July 2020. With accelerated clinical trials domestically and abroad, more than 30 clinical studies covering more than 15 indications in respect of TUOYI® (toripalimab) have been conducted globally, including in China and the United States.

HIGHLIGHTS

- In September 2020, the Independent Data Monitoring Committee (the "**IDMC**") determined that toripalimab in combination with standard chemotherapy as the treatment for patients with recurrent or metastatic nasopharyngeal carcinoma met its pre-specified primary endpoint at the interim analysis of a randomized, double-blind, placebo-controlled, international multi-center, Phase III clinical study. In February 2021, the supplemental NDA of toripalimab in combination with chemotherapy for the first-line treatment of patients with advanced, recurrent or metastatic nasopharyngeal carcinoma was accepted by the NMPA.

- In December 2020, the IDMC determined that toripalimab in combination with standard chemotherapy as the first-line treatment of patients with advanced non-small cell lung cancer met its pre-specified primary endpoint at the interim analysis of a randomized, double-blind, multi-center, Phase III clinical study.

• As of the date of this report, we had 30 drug candidates, including 28 innovative drugs and 2 biosimilars, covering 5 major therapeutic areas including malignant tumors, autoimmune diseases, chronic metabolic diseases, neurologic diseases and infectious diseases.

- TAB004/JS004 (recombinant humanized anti-BTLA monoclonal antibody injection) was approved for clinical trials in China by the NMPA in January 2020, and the dosing of the first patient was completed in the Phase I clinical trial in April 2020. In addition, it has completed the dose-escalation stage in Phase Ia in the U.S. and entered the dose-expansion stage in Phase Ib/II.

- JS005 (recombinant humanized anti-IL-17A monoclonal antibody for injection) completed the dosing of the first subject in the Phase I clinical trial which had conducted in China in May 2020. At present, the Phase I clinical study has been completed and the Phase II clinical trial is being commenced.

- JS108 (recombinant humanized anti-Trop2 monoclonal antibody – Tub196 conjugate) was approved for clinical trials in China by the NMPA in July 2020, and completed the dosing of the first patient in November 2020.

- TAB006/JS006 (specific anti-TIGIT monoclonal antibody injection) obtained the clinical trial approval from the NMPA and the FDA in November 2020 and February 2021, respectively.

HIGHLIGHTS

- Entered the field of anti-infection treatment and worked together to fight the pandemic. At the beginning of the outbreak, we quickly launched a neutralizing antibody R&D project (generic name: etesevimab; project code: JS016) with the Institute of Microbiology, Chinese Academy of Sciences ("**IMCAS**") for the treatment and prevention of the novel coronavirus disease ("**COVID-19**") in order to combat the pandemic.

  - In May 2020, the Company and Eli Lilly and Company ("**Lilly**") entered into an agreement to collaborate on the research, development and commercialization of 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.

  - The international authoritative journal *Nature* published the results of JS016 pre-clinical research, which had been reported for the first time that the neutralizing antibody of SARS-CoV-2 can significantly inhibit COVID-19 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.

  - As of the date of this report, we completed a Phase I study to evaluate the safety, tolerability, pharmacokinetics and immunogenicity of etesevimab among healthy Chinese subjects, and initiated international multi-center Phase Ib/II trials among COVID-19 patients.

  - The FDA granted Lilly, our partner, the Emergency Use Authorization for investigational etesevimab 1,400 mg and bamlanivimab 700 mg together, for the treatment of mild to moderate COVID-19 in patients who were at high risk for progressing to severe COVID-19 and/or hospitalization.

  - The National Institutes of Health (NIH) in the United States recommended the use of etesevimab and bamlanivimab together for the treatment of mild to moderate COVID-19 outpatients with a higher risk of clinical progression in its recently updated "COVID-19 Treatment Guidelines".

  - The Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) issued positive scientific opinion, for etesevimab administered together with bamlanivimab.

HIGHLIGHTS

- Broadened the layout of product pipeline through co-development/license-in and other means. Apart from developing drug candidates on our own technology platforms, we also actively collaborated with outstanding domestic and overseas biotechnology companies to further expand our product pipeline and broaden the layout of drug combination therapies.

  - We entered into a research collaboration and license agreement with Revitope Oncology, Inc. and its wholly-owned subsidiary Revitope Limited (collectively, "**Revitope**"). The parties will collaborate in the R&D of the next-generation of T-cell engaging cancer immunotherapies that utilize Revitope's *Precision*GATE™ Technology Platform together with the Company's antibody technology platforms.

  - By forming a company jointly with IMPACT Therapeutics, Inc. ("**IMPACT Therapeutics**"), we collaborated in the development of senaparib, a PARP inhibitor, and own its 50% interests within mainland China, Hong Kong and Macau. Both parties will collaborate in conducting clinical trials, manufacturing, and commercializing preparations for various indications of senaparib within the above collaboration territory.

  - We entered into a shareholders collaboration agreement with Beijing Eirene Biotech Co., Ltd.* (北京恩瑞尼生物科技股份有限公司) ("**Beijing Eirene**") for the formation of a joint venture company mainly engaged in the R&D, clinical application and market development of the CD39 drug. The CD39 product has a unique and innovative design concept to achieve high efficacy and reduce potential systemic adverse effects by selectively targeting at the immune suppressive cells of the high expression CD39 in the tumor microenvironment. The joint venture company will be owned as to 50% by the Company and 50% by Beijing Eirene upon its formation.

  - We entered into a collaboration agreement with Wigen Biomedicine Technology (Shanghai) Co., Ltd. ("**Wigen Biomedicine**") for the world-wide joint development, production and commercialization of four of Wigen Biomedicine's anti-tumor small molecule drug candidates (XPO1 inhibitor, Aurora-A inhibitor, EGFR-exon20 inhibitor and fourth-generation EGFR inhibitor).

  All these collaboration will broaden and strengthen our product layout in the oncology field to cover more tumor types, in the hopes of providing more treatment options for tumor patients in China and abroad in the future.

- In order to optimize the capital structure, focus more on the development of the principal business, improve operating efficiency, increase our investment in technology R&D, and better serve technological innovation, we made every effort to prepare for the listing of the Company's A Shares on the STAR Market, which were successfully listed on the STAR Market on 15 July 2020.

HIGHLIGHTS

IFRS

	For the year ended 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Operating results					
Revenue	3,757	1,148	934	775,089	**1,594,897**
Gross profit	2,771	702	667	684,405	**1,222,366**
Loss for the year from continuing operations	(131,490)	(320,802)	(716,500)	(744,233)	**(1,665,639)**
Total comprehensive expense for the year	(128,667)	(326,915)	(714,593)	(741,055)	**(1,687,567)**
Total comprehensive expense for the year attributable to:					
Owners of the Company	(127,720)	(326,688)	(714,654)	(740,744)	**(1,687,567)**
Non-controlling interests	(947)	(227)	61	(311)	**–**
Loss per share					
From continuing and discontinued operations					
Basic (RMB yuan)	(0.26)	(0.55)	(1.19)	(0.95)	**(2.02)**
Diluted (RMB yuan)	N/A	N/A	(1.19)	(0.95)	**(2.02)**

	At 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Financial position					
Non-current assets	604,122	708,703	1,347,126	2,511,324	**3,312,147**
Current assets	544,908	511,006	2,910,184	1,911,116	**4,698,717**
Total assets	1,149,030	1,219,709	4,257,310	4,422,440	**8,010,864**
Non-current liabilities	3,453	41,815	465,112	828,548	**677,022**
Current liabilities	18,962	58,560	471,065	605,376	**1,492,582**
Total liabilities	22,415	100,375	936,177	1,433,924	**2,169,604**
Net assets	1,126,615	1,119,334	3,321,133	2,988,516	**5,841,260**

Note: The results of 2016 and 2017 are extracted from the Prospectus.

HIGHLIGHTS

PRC GAAP

	For the year ended 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Operating results*					
Revenue	5,939	54,500	2,928	775,089	**1,594,897**
Gross profit	2,646	48,373	(1,269)	677,105	**1,214,645**
Loss for the year	(136,269)	(317,571)	(722,854)	(747,729)	**(1,668,607)**
Total comprehensive expense for the year	(128,667)	(326,915)	(721,582)	(744,550)	**(1,690,536)**
Loss per share					
From continuing and discounted operations					
Basic (RMB yuan)	(0.27)	(0.55)	(1.21)	(0.96)	**(2.03)**
Diluted (RMB yuan)	N/A	N/A	N/A	N/A	**N/A**

	At 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Financial position					
Non-current assets	596,082	704,380	1,340,137	2,500,838	**3,298,693**
Current assets	552,948	515,328	2,910,184	1,911,116	**4,698,717**
Total assets	1,149,030	1,219,708	4,250,321	4,411,954	**7,997,410**
Non-current liabilities	3,452	41,815	465,111	855,700	**697,140**
Current liabilities	18,963	58,560	471,067	578,225	**1,472,464**
Total liabilities	22,415	100,375	936,178	1,433,925	**2,169,604**
Net assets	1,126,615	1,119,333	3,314,143	2,978,029	**5,827,806**

Operating results* include non-continuous operation results.

CHAIRMAN'S STATEMENT

Dear investors who follow and accompany the growth of Junshi:

In 2020, the COVID-19 pandemic swept across the world, affecting all industries to varying degrees, or even shutting down businesses. During the year, like the anti-pandemic efforts of various sectors in the community, Junshi never stopped moving forward. We have sailed against the current and our business progressed rapidly and vigorously.

2020 marked the second year after commencement of sales of toripalimab (TUOYI®), our first commercial product, and we are simultaneously making multifaceted progress in terms of commercialization, internationalization and clinical development. As our commercialization team and product penetration rate expanded significantly, TUOYI® was successfully listed on the National Medical Insurance Catalogue, this greatly improved its affordability to Chinese patients.

Being well aware of the importance of laying a solid foundation to achieve stable and long-term development, we have been making every effort to expand the indications for TUOYI®, our core product, and holding the leading position on multiple tracks. As of the end of 2020, we have carried out over 30 clinical studies covering more than 15 indications worldwide, and have been granted 1 breakthrough therapy designation, 1 fast track designation and 3 orphan-drug designations by the US FDA in the fields of mucosal melanoma, nasopharyngeal carcinoma, and soft tissue sarcoma.

An old Chinese poem goes, "range far one's eyes for the long vistas." In addition to further exploration around our existing commercialized products, we also continuously promote the R&D of other innovative targets on the pipeline. The clinical trials of our "global new" products JS004 (anti-BTLA monoclonal antibody) and JS006 (anti-TIGIT monoclonal antibody) are simultaneously advancing in China and the United States; Phase I clinical trials of JS005 (anti-IL-17A monoclonal antibody) were completed in China; and the first patient dosing of JS108 (anti-Trop2 monoclonal antibody-Tub196 conjugate for injection) was completed in China.

If "innovation" is the spirit rooted in the soul of every Junshi staff, then "fight against the pandemic" is our theme for 2020. As early as the beginning of the pandemic, we have already joined the anti-pandemic frontline. Taking over the task from the IMCAS, our R&D and production teams worked day and night to shorten the of preclinical development time to 4 months by utilizing the antibody R&D full life-cycle technology platform, demonstrating "Junshi speed" and "China speed" to the world. As the pandemic situation grew increasingly critical around the world, in order to reach broader COVID-19 patient population, we reached strategic cooperation with Lilly to accelerate the development of COVID-19 neutralizing antibodies at the international level, and make Chinese contributions to the global anti-pandemic and health cause.

As an old Chinese saying goes, "united we stand, divided we fall." Besides concentrating on independent R&D, we also seek to to foster mutually beneficial business relationships. We have not only established collaboration with various enterprises in the combination therapies of TUOYI® to explore the effective therapies in the post-PD-1 era and plow deep in the field of macromolecular monoclonal antibodies, but at the same time also strived for a comprehensive product layout through licensing, establishing joint ventures and other methods to ensure long-term development.

CHAIRMAN'S STATEMENT

The cordial support of our investors is indispensable to the growth and development of Junshi. To continuously optimize the Company's capital structure and assist the Company's R&D and production, we officially listed on the STAR Market of the SSE in July 2020 with the view to leverage on the STAR Market and achieve the "A+H" dual drive.

As the saying goes, "unwavering determination and commitment lead to success." Since the inception of our operations, we have been upholding the concept of "excellent people do not pursue appearances, and those of noble character and cultivation are committed to pragmatism" and never slowed down our pace of progress. At present, we have established a product pipeline containing 30 drug candidates, covering five major therapeutic areas including monoclonal antibodies, small molecule drugs, antibody drug conjugates (ADCs), bifunctional fusion proteins, cell therapies and other types of drugs.

Among others, TUOYI®, our core product, has reaped a fruitful harvest soon after the start of 2021. In order to increase accessibility to Chinese patients at county level, we have teamed up with AstraZeneca Pharmaceutical for commercial cooperation. In addition to expanding our presence in the domestic market, we have also set our sights on the world. We have partnered with Coherus to help China's domestic innovative drugs go global and benefit patients worldwide by taking advantage of Coherus's proven commercial operation capabilities in the North American market. Moreover, in terms of indication expansion, the indications for mucosal melanoma have successively been granted a fast track designation by the U.S. FDA and a breakthrough therapy designation by the NMPA of the PRC in 2021, which was conducive to the rapid advancement of our clinical and commercialization progress in China and the United States, bringing more treatment options to first-line patients.

In addition to the steady development of TUOYI®, we also have a number of products that are ready to be launched. At the beginning of this year, our clinical trial applications for JS201 (PD-1/TGF-β), JS110 (XPO1 inhibitor), JS111 (EGFR exon20 insertion and other uncommon mutation inhibitors), and JS103 (pegylated uricase derivative) have been accepted one after another. It is expected that 15 innovative drugs will enter the clinic trial or clinical research application stage this year, which will further expand our clinical-stage product pipeline and create synergy and complementarity effects.

I would like to express my heartfelt gratitude to all investors for their continual support and trust. My colleagues and I will continue to carry the expectations of all investors and strive for the blueprint of China's domestic biopharmaceutical innovation. We look forward to coming together with more investors to witness the opportunities for the rise of the biopharmaceutical industry in China.

Xiong Jun
Chairman

30 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are an innovation-driven biopharmaceutical company with all-round capabilities from innovative drug discovery, clinical R&D 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 ways of original innovation and co-development, we have successfully developed a drug candidate portfolio with tremendous market potential. Multiple products have milestone significance: toripalimab (JS001, trade name: 拓益® (TUOYI®)), one of our core products, was 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 and the treatment for recurrent/metastatic nasopharyngeal carcinoma ("**NPC**") after failure of second-line and above systemic treatment; JS002 and UBP1213 were the first anti-PCSK9 monoclonal antibody and anti-BLyS monoclonal antibody, respectively, from a PRC domestic company that had obtained IND approval from the NMPA; TAB004/JS004 was the world's first-in-human 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 against the COVID-19 pandemic in 2020. The co-developed etesevimab (JS016) was the first novel coronavirus monoclonal neutralizing antibody that commenced clinical trials in China. In February 2021, the FDA granted our partner Lilly the Emergency Use Authorization for investigational etesevimab (JS016/LY-CoV016) 1,400mg and bamlanivimab (LY-CoV555) 700mg together, and the first batch of which was purchased by the U.S. government, contributing to COVID-19 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, antibody drug conjugates (ADCs), bifunctional fusion protein, cell therapy as well as the exploration of the next-generation innovative therapies for cancer and autoimmune diseases.

From the beginning of 2020 to the date of this report, although the global COVID-19 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. In addition, the various major achievements in business operations as well as development of drug candidates we managed to make are summarized as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

TUOYI® (toripalimab) was successfully included in the revised National Reimbursement Drug List, with accelerated clinical trials domestically and abroad. Despite the general environment where the global economy was affected by the COVID-19 pandemic with great volatility, we were able to maintain uninterrupted production and supply of TUOYI® for patients, and achieved sales revenue of RMB1,003 million during the Reporting Period. In December 2020, TUOYI® was successfully included in the new catalogue of the National Reimbursement Drug List upon negotiations. Our business market and access teams have also been accelerating the entry of TUOYI® into the hospital channel, expanding the coverage in core cities and broad markets, and strengthening the establishment of product brand image. In order to support the subsequent rapid growth of TUOYI®, as of 31 December 2020, our commercialization team has expanded to over 900 employees, and our product coverage has expanded to about 1,500 hospitals and over 1,100 pharmacies in about 300 cities. In February 2021, we commenced commercial cooperation with AstraZeneca Pharmaceutical Co., Ltd., ("**AstraZeneca Pharmaceutical**"). We granted AstraZeneca Pharmaceutical the exclusive promotion right of TUOYI® for the urinary cancer indications to be approved subsequently for marketing in mainland China and the exclusive promotion right for all indications approved and to be approved in non-core urban areas. We will continue to be responsible for the promoting of indications approved and to be approved excluding urinary cancer indications in core urban areas. The cooperation is conducive to the continuous promotion of the commercialization of TUOYI® in China, and expansion of coverage of TUOYI® in hospitals and pharmacies among all tiers of cities, thereby promoting more Chinese patients to benefit from the local high-quality innovative drug.

More than 30 clinical studies covering more than 15 indications in respect of toripalimab have been conducted in China, the United States and other countries to date. As of the date of this report, toripalimab has been granted 1 breakthrough therapy designation, 1 fast track designation and 3 orphan-drug designations by the FDA for the treatment of mucosal melanoma, nasopharyngeal carcinoma and soft tissue sarcoma. We officially initiated the rolling submission of BLA for toripalimab with the FDA for the treatment of recurrent or metastatic nasopharyngeal carcinoma in March 2021 and obtained a rolling review by the FDA. Toripalimab has become the first domestic anti-PD-1 monoclonal antibody to submit a BLA to the FDA. For progress in domestic clinical trials, in February 2021, toripalimab received a second supplemental NDA approval from the NMPA for the treatment of patients with recurrent or metastatic nasopharyngeal carcinoma after failure of at least two lines of prior systemic therapy. The supplemental NDA of toripalimab for the second-line treatment of locally advanced or metastatic urothelial carcinoma was accepted by the NMPA in May 2020 and received priority review designations from the NMPA in July 2020. In February 2021, the supplemental NDA of toripalimab in combination with chemotherapy for the first-line treatment of patients with advanced, recurrent or metastatic nasopharyngeal carcinoma was accepted by the NMPA.

MANAGEMENT DISCUSSION AND ANALYSIS

Entered the field of anti-infection treatment and contributed to the world's anti-pandemic efforts with domestic innovation. At the beginning of the COVID-19 outbreak, we quickly launched a neutralizing antibody R&D project (generic name: etesevimab; project code: JS016) with the IMCAS for the treatment and prevention of COVID-19 in order to combat the pandemic. In two months' time, we leveraged our excellent platforms to complete the pre-clinical research required by the IND, which has been used in the antibody process development and production for GLP toxicology research, and the GMP production of clinical batches of antibodies. Lilly, a century-old multinational pharmaceutical company, was granted by the Company an exclusive license to conduct research, develop and commercialize etesevimab outside Greater China. As of the date of this report, we completed a Phase I study to evaluate the safety, tolerability, pharmacokinetics and immunogenicity of etesevimab among healthy Chinese subjects, and initiated international multi-center Phase Ib/II trials among COVID-19 patients globally. In February 2021, the FDA granted Lilly, our partner, the Emergency Use Authorization for investigational etesevimab 1,400 mg and bamlanivimab 700 mg together, for the treatment of mild to moderate COVID-19 in patients who were at high risk for progressing to severe COVID-19 and/or hospitalization. In addition, the National Institutes of Health (NIH) in the United States also recommended the use of etesevimab and bamlanivimab together for the treatment of mild to moderate COVID-19 outpatients with a higher risk of clinical progression in its recently updated "COVID-19 Treatment Guidelines". The Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) issued a positive scientific opinion for etesevimab administered together with bamlanivimab used, which suggested that etesevimab and bamlanivimab can be used to treat COVID-19 patients aged 12 or above who do not require supplemental oxygen and who are at high risk of progressing to severe COVID-19.

Commenced cooperation with international pharmaceutical partners in terms of various products and various dimensions, including strategic collaboration with Coherus BioSciences, Inc. ("Coherus") and Lilly. As of the date of this report, we achieved numerous international collaboration of strategic significance at the levels of corporate strategy and product cooperation, taking another important step towards the strategic goal of "international layout with a base in China". We entered into a research collaboration and license agreement with Lilly, granting it an exclusive license to conduct research, develop and commercialize etesevimab outside Greater China. According to the collaboration agreement, Lilly shall pay to the Company an upfront fee of US$10 million, and upon achieving prescribed milestones, will pay milestone payments of up to US$245 million, plus double-digit royalties on the net sales of the product.

We reached an exclusive license and commercialization agreement with Coherus on the development and commercialization of our self-developed toripalimab in the United States and Canada. According to the terms of the agreement, we will grant Coherus a license for toripalimab in the United States and Canada. In addition, we will grant Coherus options to JS006 (an anti-TIGIT monoclonal antibody) and JS018-1 (a next-generation improved IL-2 cytokine drugs), and the right of first negotiation for 2 early-stage checkpoint inhibitor antibody drugs. In consideration for this, we may receive an upfront fee, exercise payment (if Coherus exercises its options) and milestone payments of up to US$1.11 billion in aggregate, together with royalties of 20% of the annual net sales of toripalimab products in the licensed areas. In the licensed areas, we will co-develop toripalimab with Coherus, with Coherus being responsible for all commercial activities in the United States and Canada. The collaboration with Coherus will become an important part of our expansion of the global commercialization network. We look forward to working closely with Coherus to establish the market position of toripalimab in the United States and Canada, and joining hands to provide patients over the world with better efficacy and more cost-effective treatment options. Going forward, we will continue to explore global opportunities for our drug candidates with appropriate R&D plans, clinical development and commercialization activities.

MANAGEMENT DISCUSSION AND ANALYSIS

Broadened the layout of product pipeline through co-development/license-in and other means. Apart from developing drug candidates on our own technology platform, we also actively cooperated with outstanding domestic and overseas biotechnology companies to further expand our product pipeline and broaden the layout of drug combination therapies. As of the date of this report, we have 30 drug candidates, and our innovative R&D field has expanded from monoclonal antibodies to the development of more drug types, including small molecule drugs and antibody drug conjugates (ADCs), bifunctional fusion proteins and cell therapies, as well as the exploration of next-generation innovative therapies for cancer and autoimmune diseases. We entered into a research collaboration and license agreement with Revitope. The parties will collaborate in the R&D of the next-generation of T-cell engaging cancer immunotherapies that utilize Revitope's *Precision*GATE™ Technology Platform together with the Company's antibody technology platforms. By forming a company jointly with IMPACT Therapeutics, we cooperated in the development of senaparib, a PARP inhibitor, and own its 50% equity interests within mainland China, Hong Kong and Macau. Both parties will cooperate in conducting clinical trials, manufacturing, and commercialization preparations for various indications of senaparib within the above collaboration territory. We entered into a cooperation agreement with Wigen Biomedicine for the world-wide joint development, production and commercialization of four of Wigen Biomedicine's anti-tumor small molecule drug candidates (XPO1 inhibitor, Aurora-A inhibitor, EGFR-exon20 inhibitor and fourth-generation EGFR inhibitor) on a global scale. All these collaboration will broaden and strengthen our product layout in the oncology field to cover more tumor types, in the hopes of providing more treatment options for tumor patients in China and abroad in the future.

Listing on the STAR Market optimized our capital structure. During the Reporting Period, in order to optimize the capital structure, focus more on the development of the principal business, improve operating efficiency, increase our investment in technology R&D, and better serve technological innovation, we made every effort to prepare for the listing of A Shares of the Company on the STAR Market, which 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 R&D of the JS004 project, follow-up domestic clinical R&D of JS001 and other early-stage project preclinical research; and the construction of a large-scale monoclonal antibody drug production base in Lingang, Shanghai. After the projects financed by the proceeds are completed, our production capacity will be greatly increased, and our innovative drug R&D results will be transformed into biologics drug formulation that can be supplied to the market on a large scale, which will help us achieve rapid growth and further our competitive advantages.

MANAGEMENT DISCUSSION AND ANALYSIS

In July 2020, Rules 18A.09 to 18A.11 of the Hong Kong Listing Rules no longer applied to us as we had satisfied the market capitalization/revenue test under Rule 8.05(3) of the Hong Kong Listing Rules. The "B" marker had thus been removed from the Company's stock name and stock short name.

In February 2021, the Company's A Shares and H Shares were included in the Shanghai-Hong Kong Stock Connect. Hang Seng Indexes Company Limited announced the inclusion of the Company's H Shares (1877.HK) in the Hang Seng Composite Index, the Hang Seng SmallCap Index, the Hang Seng Healthcare Index, the Hang Seng Stock Connect Hong Kong Index and the Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index. The Company's A Shares (688180.SH) were included in the STAR 50 index by the Shanghai Stock Exchange and China Securities Index Co., Ltd. with effect from 15 March 2021.

PRODUCT PIPELINE

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 synergized with our own original product pipeline, so as to further expand our product pipeline. As of the date of this report, we have 30 drug candidates, covering 5 major therapeutic areas, including malignant tumors, autoimmune diseases, chronic metabolic diseases, neurologic diseases and infectious diseases. Our innovative R&D fields have also expanded from monoclonal antibodies to the development of more drug types, including small molecule drugs, antibody drug conjugates (ADCs), bifunctional fusion proteins and cell therapies, as well as the exploration of next-generation innovative therapies for cancer and autoimmune diseases.

R&D Progress of Toripalimab

Therapeutic Areas	Medicine Codes	Clinical trial number	Indications	Pre Clinical / Phase I / Phase II / Phase III / NDA	Locations of Clinical Trial	Note
Oncology	JS001 Toripalimab	NCT03013101	Melanoma (second-line treatment, monotherapy)	Approved on 17 December 2018	China	NDA approved
		NCT02915432	Nasopharyngeal carcinoma (third-line treatment, monotherapy)	NDA approved by NMPA in February 2021, and BLA submitted to FDA	China	FDA Breakthrough Therapy Designation, Orphan Drug Designation
		NCT03581786	Nasopharyngeal carcinoma (first-line treatment, combo with chemo)	NDA accepted	International multi-center	
		NCT03113266	Urothelial carcinoma (second-line treatment, monotherapy)	NDA accepted	China	Received Priority Review
		NCT03856411	EGFR negative non-small cell lung carcinoma (first-line treatment, combo with chemo)	Pivotal registered clinical trial	China	Met primary endpoint (interim)
		NCT03924050	EGFR mutated TKI failed terminal stage non-small cell lung carcinoma (combo with chemo)	Pivotal registered clinical trial	China	
		NCT04772287	Non-small cell lung carcinoma (neoadjuvant)	Pivotal registered clinical trial	China	
		NCT04012606	Small cell lung carcinoma (first-line treatment, combo with chemo)	Pivotal registered clinical trial	China	
		NCT03829969	Esophageal squamous cell carcinoma (first-line treatment, combo with chemo)	Pivotal registered clinical trial	China	
		/	Esophageal squamous cell carcinoma (neoadjuvant)	Pivotal registered clinical trial	China	
		NCT03430297	Melanoma (first-line treatment, monotherapy)	Pivotal registered clinical trial	China	
		NCT04085276	Triple negative breast carcinoma (combo with albumin-bound paclitaxel)	Pivotal registered clinical trial	China	
		NCT04523493	Hepatocellular carcinoma (first-line treatment, combo with lenvatinib)	Pivotal registered clinical trial	International multi-center	
		NCT04723004	Hepatocellular carcinoma (first-line treatment, combo with bevacizumab)	Pivotal registered clinical trial	International multi-center	
		NCT03859128	Hepatocellular carcinoma (adjuvant)	Pivotal registered clinical trial	China	
		NCT02915432	Gastric carcinoma (third-line treatment, monotherapy)	Pivotal registered clinical trial	China	
		NCT04394975	Renal cell carcinoma (first-line treatment, combo with Axitinib)	Pivotal registered clinical trial	China	
		NCT04568304	Urothelial carcinoma (first-line treatment, PD-L1+)	Pivotal registered clinical trial	International multi-center	
		/	Mucosal melanoma (combo with Axitinib)		United States	FDA Fast Track Designation, Orphan Drug Designation; NMPA Breakthrough Therapy Designation
		NCT03474640	Sarcoma		United States	FDA Orphan Drug Designation

Other R&D Pipelines Covering a Wide Variety of Therapeutic Areas

Biologics Small molecule drugs

Therapeutic Areas	Medicine Codes	Targets	Indications	Pre Clinical / Phase I / Phase II / Phase III / NDA	Origins	Locations of Clinical Trial
Oncology	JS003	PD-L1	Solid tumors		In house	China
	JS004 (TAB004)	BTLA	Melanoma, lung carcinoma, lymphoma, etc.		In house	United States
			Melanoma, lung carcinoma, lymphoma, etc.			China
	JS006	TIGIT	Solid tumors		In house	United States
			Solid tumors			China
	JS007	CTLA-4	Lung carcinoma, melanoma		In house	China
	JS101	Pan-CDK	Breast cancer, etc.		In house	China
	JS108	TROP2	Triple negative breast cancer, small cell lung carcinoma, pancreatic cancer		Co-development	China
	JS109	PARP	Ovarian cancer (first-line maintenance)		Co-development	China (excluding Taiwan)
			BRCA-mutated ovarian cancer (third-line)			
	JS110	XPO1	Multiple myeloma, etc.		Co-development	China
	JS111	EGFR exon 20	Non-small cell lung carcinoma		Co-development	China
	JS201	PD-1/TGF-β	Solid tumors		In house	China
	JS501 (Bevacizumab)	VEGF	Non-small cell lung carcinoma, colorectal cancer		Co-development	China
Metabolic	JS002	PCSK9	Hyperlipidemia		In house	China
	JS103	Uricase	Hyperuricacidemia, gout		In house	China
Auto-immunity	UBP1211 (Adalimumab)	TNF-α	Rheumatoid arthritis, ankylosing spondylitis, psoriasis arthritis	NDA accepted	Co-development	China
	JS005	IL-17A	Psoriatic, ankylosing spondylitis		In house	China
	UBP1213	BLyS	Systemic lupus erythematosus		In house	China
Infectious disease	JS016 (Etesevimab)	S protein	COVID-19	EUA approved by FDA	Co-development	United States
					Co-development	China

Other R&D Pipelines Covering a Wide Variety of Therapeutic Areas — Early-Stage Projects

Therapeutic Areas	Medicine Codes	Targets	Indications	Origins	Commercial Rights
Oncology	JS009	CD112R/PVRIG	Solid tumors	In house	Global
	JS011	(Undisclosed)	(Undisclosed)	In house	Global
	JS012	(Undisclosed)	(Undisclosed)	In house	Global
	JS014	IL-21	Solid tumors	100% Rights in-licensing	China
	JS018	IL-2	Solid tumors	100% Rights in-licensing	Global
	JS019	CD39	Solid tumors	50% Rights in-licensing	China
	JS104	Pan-CDK	Breast cancer, etc.	50% Rights in-licensing	Global
	JS105	PI3K-α	Breast cancer, kidney cancer, etc.	50% Rights in-licensing	Global
	JS112	Aurora A	Small cell lung carcinoma	50% Rights in-licensing	Global
	JS113	EGFR 4th Gen	Non-small cell lung carcinoma	50% Rights in-licensing	Global
Metabolic	JS008	(Undisclosed)	(Undisclosed)	In house	Global
Neurologic	JS010	CGRP	Migraine	In house	Global

Due to the high-tech, high-risk and high-value-added characteristics of pharmaceutical products, there are substantial risks and uncertainties in the process of drug research, development and commercialization. Investors are advised to make cautious decisions and evaluate investment risks. The Company will actively pursue the described R&D projects and fulfill its information disclosure obligations regarding the subsequent progress of projects in a timely manner and in strict accordance with relevant regulations.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our Products Under Commercialization

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

- *Milestones and achievements of commercialization*

Our self-developed toripalimab is the first domestic anti-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. In December 2018, toripalimab was conditionally approved by the NMPA for market launch for the treatment of locally advanced or metastatic melanoma after standard therapy failure, and was also recommended under the 2019 and 2020 editions of the "Chinese Clinical Oncology Society (CSCO) Guidelines for the Diagnosis and Treatment of Melanoma". In December 2020, toripalimab Injection was successfully included in the new catalogue of the National Reimbursement Drug List upon negotiations. In February 2021, toripalimab received a supplemental NDA approval from the NMPA for the treatment of patients with recurrent or metastatic nasopharyngeal carcinoma after failure of at least two lines of prior systemic therapy.

During the Reporting Period, the revenue from sales of TUOYI® (toripalimab) reached RMB1,003 million. As of 31 December 2020, our commercialization team has expanded to over 900 employees, and our product coverage has expanded to about 1,500 hospitals and over 1,100 pharmacies in about 300 cities. In order to further strengthen the brand building of TUOYI®, continue to expand its coverage in hospitals and pharmacies, increase the penetration rate of TUOYI®, and enhance the Company's commercial competitiveness in the domestic PD-1 market, in February 2021, we commenced commercial cooperation with AstraZeneca Pharmaceutical. We will grant AstraZeneca Pharmaceutical the exclusive promotion right of TUOYI® for the urinary cancer indications to be approved subsequently for marketing in mainland China and the exclusive promotion right for all indications approved and to be approved in non-core urban areas. We will continue to be responsible for the promoting of indications approved and to be approved excluding urinary cancer indications in core urban areas. The cooperation is conducive to the continuous promotion of the commercialization of TUOYI® in China, and expansion of the coverage of TUOYI® in hospitals and pharmacies in all tiers of cities, thereby promoting more Chinese patients benefiting from the local high-quality innovative drugs.

MANAGEMENT DISCUSSION AND ANALYSIS

Toripalimab Injection

- *Milestones and achievements of clinical development*

More than 30 clinical studies covering more than 15 indications in respect of toripalimab have been conducted in China, the United States and other countries, involving new indications such as nasopharyngeal cancer, urothelial cancer, lung cancer, gastric cancer, esophageal cancer, liver cancer and breast cancer. The supplemental NDA of toripalimab for the second-line treatment of metastatic urothelial carcinoma was accepted by the NMPA in May 2020 and received priority review designations from the NMPA in July 2020. In December 2020, the IDMC has determined that toripalimab in combination with standard chemotherapy as the first-line treatment of patients with advanced non-small cell lung cancer met its pre-specified primary endpoint at the interim analysis of a randomized, double-blind, multi-center, Phase III clinical study CHOICE-01 (NCT03856411). We will initiate the process to submit a supplemental NDA to the NMPA in the near future. In February 2021, the supplemental NDA of toripalimab in combination with chemotherapy for the first-line treatment of patients with advanced, recurrent or metastatic nasopharyngeal carcinoma was accepted by the NMPA. In March 2021, toripalimab has been included in the Drug List of the Procedure for Breakthrough Therapy Designation for the first-line treatment of advanced mucosal melanoma by the NMPA.

As for overseas clinical progress, toripalimab has been granted 1 breakthrough therapy designation, 1 fast track designation and 3 orphan-drug designations by the U.S. FDA for the treatment of mucosal melanoma, nasopharyngeal carcinoma, and soft tissue sarcoma. The above designations will be beneficial for the subsequent development, registration and commercialization of toripalimab in the United States. In March 2021, we initiated the rolling submission of BLA for toripalimab with the FDA for the treatment of recurrent or metastatic nasopharyngeal carcinoma and obtained a rolling review by the FDA. Rolling review refers to when applying for BLA or NDA, pharmaceutical enterprises can submit the application documents to the FDA for review in batches, instead of waiting for the application documents to be all completed before submitting an application to the FDA, which can shorten the review cycle of new drugs. Toripalimab has become the first domestic anti-PD-1 monoclonal antibody to submit a BLA to the FDA.

MANAGEMENT DISCUSSION AND ANALYSIS

In February 2021, we entered into the exclusive license and commercialization agreement with Coherus. The Company granted Coherus an exclusive license to develop, manufacture, commercialize, sell and otherwise develop toripalimab in the United States and Canada (the "**Coherus Territory**"), and in consideration will receive a non-refundable upfront payment of US$150 million as well as milestone payments up to an aggregate of US$380 million, plus 20% royalty on the annual net sales of any product that contains toripalimab in the Coherus Territory. Over the next two years, apart from the BLA submitted for recurrent or metastatic nasopharyngeal carcinoma, we and Coherus plan to file additional toripalimab BLAs with FDA for several rare and highly prevalent cancers, including non-small cell lung cancer.

From the beginning of the Reporting Period to the date of this report, the results obtained in clinical research of toripalimab in the current stage have also been included in many influential international academic journals and included in the presentations of many international academic conferences. Details are as follows:

- *Publication of the research results of TUOYI® for the treatment of advanced solid tumors in Cancer Communications (IF 5.627) in January 2020*

- *The results of TUOYI® for the second-line treatment of locally advanced or metastatic urothelial carcinoma (POLARIS-03) were selected at the Genitourinary Cancers Symposium of the American Society of Clinical Oncology ("ASCO") (ASCO-GU) in February 2020*

- *Publication of the research results of TUOYI® for the treatment of advanced melanoma in Clinical Cancer Research (IF 10.107) in April 2020*

- *The research results of TUOYI® for the treatment of advanced solid tumors were selected at the annual meeting of the American Association for Cancer Research (AACR 2020) in April 2020*

- *A total of 9 research results of TUOYI® were selected, including melanoma, nasopharyngeal carcinoma, urothelial carcinoma, lung carcinoma, hepatocellular carcinoma, gastric carcinoma esophageal carcinoma, squamous cell carcinoma of the head and neck and pancreatic cancer, and mucosal melanoma research were orally reported at the conference, at the annual meeting of the ASCO (ASCO 2020) in May 2020*

- *A total of 4 research results of TUOYI® were selected, including biliary tract tumors, colorectal cancer and esophageal carcinoma, at the European Society for Medical Oncology Congress (ESMO 2020) in September 2020*

- *A total of 9 research results of TUOYI® were selected, including urothelial carcinoma, melanoma, esophageal carcinoma, gastric carcinoma, intrahepatic cholangiocarcinoma and kidney cancer, and urothelial cancer research was an excellent paper and the special topic of the main venue of the conference and 4 research (gastric cancer, intrahepatic cholangiocarcinoma, advanced solid tumor and melanoma research) were special topic presentations for innovative drugs, at the annual meeting of the Chinese Society of Clinical Oncology (CSCO 2020) in September 2020*

MANAGEMENT DISCUSSION AND ANALYSIS

- *Publication of the research results of TUOYI® for the treatment of advanced non-small cell lung carcinoma in JAMA Network Open (IF 5.032) in October 2020*

- *A total of 2 research results of TUOYI® were selected, including neoadjuvant treatment of non-small cell lung carcinoma and esophageal squamous cell carcinoma, at the annual meeting of the Society for Immunotherapy of Cancer (STIC 2020) in November 2020*

- *The research result of TUOYI® for the treatment of advanced hepatocellular carcinoma was selected at the European Society for Medical Oncology Asia Congress (ESMO ASIA 2020) in November 2020*

- *The research result of TUOYI® in combination with CIK cell therapy for the treatment of non-small cell lung carcinoma was selected at the 21st World Conference on Lung Cancer (WCLC 2020) in January 2021*

- *Publication of the results of TUOYI® for the treatment of recurrent or metastatic nasopharyngeal carcinoma (POLARIS-02) in Journal of Clinical Oncology (IF 32.956) in January 2021*

During the Reporting Period, the Group incurred approximately RMB112.68 million on the R&D activities of JS001.

Etesevimab (code: JS016/LY-CoV016)

- *Milestones and achievements of commercialization*

Etesevimab is a recombinant fully human anti-SARS-CoV-2 monoclonal neutralizing antibody, which was 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 licensing agreement with Lilly and Lilly was granted an exclusive license to conduct research, develop and commercialize etesevimab outside Greater China. According to the agreement, Lilly shall pay us an upfront fee of US$10 million, and upon achieving prescribed specified milestones, will pay milestone payments of up to US$245 million, plus double-digit royalties on the net sales of the product. In February 2021, the FDA officially granted the Emergency Use Authorization (EUA) for etesevimab (JS016 or LY-CoV016) 1,400 mg and bamlanivimab (LY-CoV555) 700 mg together for the treatment of mild to moderate COVID-19 in patients who were at high risk for progressing to severe COVID-19 and/or hospitalization. In addition, the National Institutes of Health (NIH) in the United States also recommended the use of etesevimab and bamlanivimab together for the treatment of mild to moderate COVID-19 outpatients with a higher risk of clinical progression in its recently updated "COVID-19 Treatment Guidelines". The Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) issued a positive scientific opinion for etesevimab administered together with bamlanivimab, which suggested that etesevimab and bamlanivimab can be used in combination to treat COVID-19 patients aged 12 or above who do not require supplemental oxygen and who are at high risk of progressing to severe COVID-19.

Our partner Lilly will continue to work with global regulatory agencies to promote these therapies worldwide. In order to help as many patients as possible, Lilly will continue to accelerate the production of etesevimab for global use.

MANAGEMENT DISCUSSION AND ANALYSIS

Recombinant fully human anti-SARS-COV-2 monoclonal antibody injection

- *Milestones and achievements of clinical development*

In June 2020, etesevimab 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, 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 males and females) as the world's first novel coronavirus neutralizing antibody clinical trial in healthy subjects. We are conducting Phase Ib/II international multi-center clinical study for patients with mild to normal COVID-19 pneumonia.

Our partner Lilly has successfully completed a similar Phase I clinical study of etesevimab (NCT04441931) among healthy subjects in the U.S. A Phase II/III clinical study among patients recently diagnosed with COVID-19 in the ambulatory setting (BLAZE-1, NCT04427501) is ongoing. In January 2021, the Phase III clinical trial of the BLAZE-1 study reached the primary research endpoint. Etesevimab 2,800 mg and bamlanivimab 2,800 mg together significantly reduced COVID-19-related hospitalizations and deaths in high-risk patients recently diagnosed with COVID-19. Across 1,035 patients, there were 11 events (2.1 percent) in patients taking the therapy and 36 events (7.0 percent) in patients taking placebo, representing a 70 percent risk reduction (p=0.0004). There were a total of 10 deaths in the study, all of which occurred among patients taking placebo. There was no death among the patients taking etesevimab and bamlanivimab together. Significant statistical improvements were also shown among the patients taking etesevimab and bamlanivimab together in all key secondary endpoints, providing strong evidence that the therapy can reduce viral load and accelerate symptom relief. In addition, preliminary results of the ongoing BLAZE-4 study (NCT04634409) provide viral load and pharmacodynamic/pharmacokinetic data demonstrating lower doses of etesevimab 1,400 mg and bamlanivimab 700 mg is similar to the use of etesevimab 2,800 mg and bamlanivimab 2,800 mg together.

MANAGEMENT DISCUSSION AND ANALYSIS

etesevimab (left) and bamlanivimab (right)

Our Drug Candidates under NDA

Adalimumab injection (code: UBP1211)

UBP1211 is the adalimumab injection that we jointly developed with Jiangsu T-mab BioPharma Co., Ltd. In November 2019, our NDA application to the NMPA has been accepted. As of the date of this report, UBP1211 is in the process of new drug approval, and has completed on-site clinical inspection, pending further comments from the drug regulatory authority and organization of on-site production inspection.

Our Drug Candidates under Clinical Trials

Recombinant humanized anti-PCSK9 monoclonal antibody injection (code: JS002)

JS002 is a recombinant humanized anti-PCSK9 monoclonal antibody for injection independently developed by us for the treatment of primary hypercholesterolemia and mixed dyslipidemia. We are the first PRC company to obtain clinical trial approval for the target drug. In the completed Phase I and Phase II clinical research, JS002 showed sound safety and tolerability profile with significant efficacy in lowering blood cholesterol by reducing LDL-C by 50% to 70% compared to the baseline (equivalent to imported similar products). As of the date of this report, we are conducting Phase III clinical studies with larger patient population for further verification of efficacy and safety.

MANAGEMENT DISCUSSION AND ANALYSIS

Recombinant humanized anti-BTLA monoclonal antibody injection (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 commenced clinical trial. As of the date of this report, TAB004/JS004 has completed the dose-escalation stage in Phase Ia in the U.S. and entered the dose–expansion stage in Phase Ib/II. TAB004/JS004 also obtained IND approval from the NMPA in January 2020. The dosing of the first patient was completed in the Phase I clinical trial in China in April 2020, and the enrollment of patients for Phase I is currently underway. As of the date of this report, no other anti-tumor product with the same target in the world has entered the clinical stage.

Recombinant humanized anti-TIGIT monoclonal antibody injection (code: TAB006/JS006)

TAB006/JS006 is a specific anti-TIGIT monoclonal antibody injection developed independently by us. According to the results of pre-clinical studies, TAB006/JS006 can specifically block TIGIT-PVR inhibitory pathway, stimulate the activation of killing immune cells to secrete tumor killing factors. TIGIT (T cell immunoglobulin and ITIM domain) is an emerging inhibitory receptor shared by NK cells and T cells, which can bind to PVR receptors highly expressed on tumor cells to mediate inhibitory signals of immune responses, thereby directly inhibit the killing effect of NK cells and T cells on tumor cells. The effect is similar to the inhibitory effect of PD-1 on T cells. A number of pre-clinical trial results show that anti-TIGIT antibody and anti-PD-1/PD-L1 antibody can play a synergistic antitumor effect. The combination of the two is a promising antitumor treatment strategy, which is expected to increase patients' response to immunotherapy and expand the range of potential beneficiaries. As of the date of this report, there is no product with similar targets approved for marketing domestically and overseas.

The clinical trial for TAB006/JS006 has been approved by the NMPA in January 2021. In February 2021, TAB006/JS006 obtained the clinical trial approval from the FDA for the treatment of advanced malignant tumors in the United States. The Company will conduct clinical trials of TAB006/JS006 in China and the United States soon in accordance with relevant regulations.

Recombinant humanized anti-Trop2 monoclonal antibody – tub196 conjugate (code: JS108)

JS108 is recombinant humanized anti-Trop2 monoclonal antibody – Tub196 conjugate for injection. Trop2 is an important factor in tumor development. It appears in a variety of tumors at high levels, including breast cancer, non-small cell lung cancer, small cell lung cancer, colon cancer, pancreatic cancer. It can promote tumor cell proliferation, invasion, metastasis, spread and other processes. Its high level of expression is closely related to the shortened survival and poor prognosis of tumor patients. Hence, cancer drug research that targets Trop2 is of great significance. In July 2020, the clinical trial application for JS108 was approved by the NMPA. In November 2020, JS108 completed the dosing of the first patient in Phase I clinical study (NCT04601285). The Phase I clinical study aims to evaluate the safety, tolerability, properties and effectiveness of JS108 for the treatment of subjects with advanced solid tumors. The study is divided into three phases: dose escalation phase, dose expansion phase and clinical expansion phase. The three phases are planned to enroll about 16-36, 12-27, and 60-90 patients respectively with advanced solid tumors.

MANAGEMENT DISCUSSION AND ANALYSIS

PARP inhibitor senaparib (code: JS109)

Senaparib is a novel agent targeting PARP (poly-ADP ribose polymerase) developed by IMPACT Therapeutics. The Phase I data readout was first presented at the 2019 ASCO annual meeting, showing that senaparib had the potential to be the best-in-class PARP inhibitor with better safety profile and wider therapeutic window. In August 2020, the Company and IMPACT Therapeutics entered into an agreement to jointly form a company. The jointly formed company will mainly engage in the R&D and commercialization of small molecule anti-tumour drugs including senaparib. IMPACT Therapeutics will contribute for its interests by way of injection of the PARP inhibitor senaparib as an asset within the territories of mainland China, Hong Kong and Macau. The Company and IMPACT Therapeutics will each own 50% equity interests in the said company (please refer to the Company's announcements dated 20 and 26 August 2020 for further details). As of the date of this report, we are conducting a Phase II pivotal study of senaparib monotherapy in treating advanced ovarian cancer patients with BRCA mutation who have received at least 2 prior lines of standard treatment, and a Phase III study of senaparib as the first-line maintenance treatment in platinum-sensitive advanced ovarian cancer patients.

PD-1/TGF-β bifunctional fusion protein (code: JS201)

JS201 is a bifunctional fusion protein developed independently by us that simultaneously targets PD-1 and TGF-β (transforming growth factor-β). PD-1 and TGF-β usually show high expression at the same time in the tumor microenvironment. TGF-β is an important growth factor in immunosuppression, which in turn mediates the primary resistance of anti-PD-1 monoclonal antibody, thus blocking the two immunosuppressive signals simultaneously, i.e. PD-1 and TGF-β to play a synergistic antitumor effect. JS201 effectively blocks the PD-1/PDL1 and TGF-β immunosuppressive pathways and improves the immune regulation in the tumor microenvironment, and therefore stimulates the killing effect of the human immune system on tumor cells, effectively enhances the immune response, and reduces immune escape and drug resistance. In February 2021, we received the Acceptance Notice issued by the NMPA, and the clinical trial application of JS201 was accepted. As of the date of this report, there is no product with similar targets approved for marketing domestically and overseas.

XPO1 Inhibitor (code: JS110)

JS110 is a small molecule inhibitor of the nuclear export protein XPO1, which is clinically intended to treat patients with advanced tumors. According to the results of pre-clinical studies, JS110 specifically blocks the function of XPO1, inhibits the nuclear export of a variety of tumor suppressor proteins including p53, and strengthens the function of tumor suppressor proteins. JS110 inhibits the growth and induces death of a variety of tumor cells in vitro. In animal tumor models, JS110 monotherapy or combination therapy can inhibit the growth of a variety of blood and solid tumors. Due to its unique mechanism of action, the development of JS110 is expected to bring new treatments to patients with advanced tumors. In February 2021, Suzhou Junjing Biomedical Technology Co., Ltd.* (蘇州君境生物醫藥科技有限公司), which was jointly invested by the Company and Wigen Biomedicine, received the Acceptance Notice issued by the NMPA, and the clinical trial application of JS110 was accepted. Moreover, the Company has the world-wide exclusive production rights, licensed production rights and sales rights for JS110.

MANAGEMENT DISCUSSION AND ANALYSIS

EGFR exon20 insertion and other uncommon mutation inhibitor (code: JS111)

JS111 is a small molecule inhibitor that effectively inhibits uncommon EGFR (epidermal growth factor receptor) mutations. The uncommon EGFR mutations account for about 10% among all EGFR mutations, including EGFR exon 20 insertion, T790M point mutation and complex mutations, as well as sequence repeat mutations and other point mutations between exon 18 and 21 represented by G719X. Due to the limited clinical benefits from existing EGFR-TKI, chemotherapy and immunotherapy for patients with EGFR exon 20 insertion or other uncommon EGFR mutations in non-small cell lung cancer, patients have urgent demand for clinical treatments. Pre-clinical data showed that JS111 maintains the activity of inhibition for the common EGFR mutations such as T790M and selection of wild-type EGFR, while overcoming the insensitivity of the third-generation EGFR inhibitor for exon 20 insertion and other uncommon EGFR mutations. The development of JS111 is expected to bring new treatments for cancer patients with EGFR exon 20 insertion mutation and other uncommon EGFR mutations. In February 2021, Suzhou Junjing Biomedical Technology Co., Ltd.* (蘇州君境生物醫藥科技有限公司), which was jointly invested by the Company and Wigen Biomedicine, received the Acceptance Notice issued by the NMPA, and the clinical trial application of JS111 was accepted. Moreover, the Company has the world-wide exclusive production rights, licensed production rights and sales rights for JS111.

Pegylated uricase derivative (code: JS103)

JS103 is a pegylated uricase derivative developed independently by us that is mainly used for the treatment of hyperuricemia with or without gout. JS103 catalyses the oxidation of uric acid to form an allantoin with significantly higher solubility than that of uric acid, thereby achieving the effect of reducing blood uric acid. Hyperuricemia is a metabolic disorder syndrome caused by excessive production of uric acid or obstruction of uric acid excretion due to purine metabolic disorder, as a result of which uric acid exceeds the critical limits in blood. Gout is a crystal-associated arthropathy caused by the deposition of monosodium urate, which is directly related to hyperuricemia. According to the "Guidelines for the Diagnosis and Treatment of Hyperuricemia and Gout in China (2019)" (《中國高尿酸血症與痛風診療指南(2019)》), the overall prevalence of hyperuricemia and gout in China is 13.3% and 1.1%, respectively. Gout and associated diseases caused by hyperuricemia are among the most common chronic diseases in China. Therefore, the development of JS103 is expected to bring more treatment options to patients. In March 2021, we received the Acceptance Notice issued by the NMPA, and the clinical trial application of JS103 injection was accepted.

Recombinant humanized anti-IL-17A monoclonal antibody for injection (code: JS005)

JS005 is a specific anti-IL-17A monoclonal antibody for injection developed independently by us. In May 2020, Phase I clinical trial of JS005 commenced in China and completed the dosing of the first subject. As of the date of this report, the Phase I clinical study has completed and the Phase II clinical trial is being conducted. 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 JS005 has a clear target, definite efficacy, good safety, stable production process, and controllable product quality.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Co-development Projects with Domestic and Overseas Partners

In July 2020, we entered into a research collaboration and license agreement with Revitope. The parties will collaborate in the R&D of the next-generation of T-cell engaging cancer immunotherapies that utilize Revitope's *Precision*GATE™ Technology Platform together with the Company's antibody technology platforms. Revitope will be responsible for designing up to 5 unique T-cell immunotherapeutic drugs against targets selected by the Company. The Company is granted a world-wide exclusive license on products that result from the agreement. For further details, please refer to the Company's announcement dated 14 July 2020.

In August 2020, we entered into a Technology License Contract for Intramolecular Disulfide Bond IL-2 Drugs with Beijing Leto Laboratories Technology Co., Ltd., and the Company was granted a world-wide exclusive license to conduct preclinical development, clinical research and commercialization for IL-2 drugs (code: JS018) and use related patented technologies. As of the date of this report, such project is at the pre-clinical stage. For further details, please refer to the Company's announcement dated 28 August 2020.

In September 2020, we entered into a cooperation agreement with Wigen Biomedicine for the world-wide joint development, production and commercialization of four of Wigen Biomedicine's anti-tumor small molecule drug candidates (XPO1 inhibitor, Aurora-A inhibitor, EGFR-exon20 inhibitor and fourth-generation EGFR inhibitor). Wigen Biomedicine will transfer its 50% interest in the above product to the Company, and the Company was granted world-wide exclusive production rights, licensed production rights and sales rights for the above drugs. For further details, please refer to the Company's announcement dated 16 September 2020.

In September 2020, we entered into a shareholders cooperation agreement with Beijing Eirene in relation to the formation of a joint venture company. The joint venture company will be mainly engaged in R&D, clinical application and market development of the CD39 drug. The joint venture company will be owned as to 50% by the Company and 50% by Beijing Eirene. CD39 is the enzyme responsible for the initial steps in the conversion of immune stimulatory extracellular ATP to immune suppressive adenosine in the tumor microenvironment, and plays an important role in the immune suppressive response in the tumor microenvironment. Studies have shown that CD39 has demonstrated high expression in various types of human tumors, including lymphoma, sarcoma, lung cancer, pancreatic cancer, ovarian cancer, renal cell cancer, thyroid cancer and testicular cancer. According to publicly available information, there are currently at least three CD39 targeted drugs entering the clinical trial on a global scale. The CD39 product has a unique and innovative design concept to achieve high efficacy and reduce potential systemic side effects by selectively targeting at the immune suppressive cells of the high expression CD39 in the tumor microenvironment. As of the date of this report, such project is at the pre-clinical stage. For further details, please refer to the Company's announcement dated 9 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Our Manufacturing Facilities

We have two production bases. Among them, the Wujiang Production Base in Suzhou, with a 3,000L (6*500L) fermentation capacity, obtained GMP certification and is currently supporting the commercial production of TUOYI® and the production of clinical trial drugs of other drug candidates. The Lingang Production Base in Shanghai was constructed in accordance with the cGMP standard. The first phase of the project, with a production capacity of 30,000L (15*2,000L) was put into trial production at the end of 2019. It is currently conducting technology transfer of toripalimab, and supported the supply of drugs and drug substances for the clinical trial samples in the world-wide clinical trial of project JS016 during the Reporting Period. By virtue of economies of scale, the expansion of production capacity in Lingang Production Base provided the Company with a more competitive production cost and expedited the launch of new drugs by conducting more clinical trials. Based on the current R&D progress of product pipeline, we plan to further expand our production facilities for the provision of sufficient production capacity to match our gradually increasing and maturing drug candidates and support our continued business expansion in the future.

Other Corporate Development

- During the Reporting Period, in order to optimize the capital structure, focus more on the development of the principal business, improve operating efficiency, increase our investment in technology R&D, and better serve technological innovation, we made every effort to prepare for the listing of the Company's A Shares on the STAR Market, which were successfully listed on the STAR Market on 15 July 2020.

- In July 2020, Rules 18A.09 to 18A.11 of the Hong Kong Listing Rules no longer applied to us as we had satisfied the market capitalization/revenue test under Rule 8.05(3) of the Hong Kong Listing Rules. The "B" marker has thus been removed from the Company's stock name and stock short name.

- In February 2021, the Company's A Shares and H Shares were included in the Stock Connect Southbound Trading. Hang Seng Indexes Company Limited announced the inclusion of the Company's H Shares (1877.HK) in the Hang Seng Composite Index, the Hang Seng SmallCap Index, the Hang Seng Healthcare Index, the Hang Seng Stock Connect Hong Kong Index and the Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index. The Company's A Shares (688180.SH) were included in the STAR 50 index by the Shanghai Stock Exchange and China Securities Index Co., Ltd. with effect from 15 March 2021.

- In terms of innovative drug R&D, we continued to increase our R&D investment. During the Reporting Period, R&D expenses amounted to RMB1,778 million, representing a year-on-year increase of 88% compared with the same period last year, which strongly supported the R&D for our innovative drugs projects. As at the end of the Reporting Period, the Group owned 70 granted patents, of which 55 were domestic patents and 15 were overseas patents.

MANAGEMENT DISCUSSION AND ANALYSIS

- As at the end of the Reporting Period, our team expanded to 2,453 employees, among which 667 are responsible for R&D, 912 are responsible for commercialization, 603 are responsible for production, 59 are responsible for finance, and 212 are responsible for general and administrative duties. We believe that our comprehensive and excellent team can provide tireless energy to support the Company in possessing numerous innovative drugs from R&D to commercialization.

Future and Outlook

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 so on. 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 improve the competitiveness of our 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

As at 31 December 2020, total operating revenue reached RMB1,595 million, representing a year-on-year increase of 106% compared with 2019, including: (i) revenue from pharmaceutical products of RMB1,102 million, increased by 42% compared with the corresponding period in 2019, of which RMB1,003 million came from toripalimab injection; and (ii) additional revenue from out-licensing of RMB405 million. The revenue from out-licensing mainly came from the research collaboration and license agreement entered into between the Company and Lilly in May 2020, where the Company granted Lilly a license to conduct research, development and commercialization of a recombinant fully human anti-SARS-CoV-2 monoclonal antibody injection (an innovative drug for the treatment and prevention of COVID-19).

2. R&D Expenses

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

During the years ended 31 December 2019 and 2020, R&D expenses amounted to RMB946 million and RMB1,778 million, respectively. The significant increase in R&D expenses in 2020 was mainly due to (i) the increase in investment in clinical and pre-clinical R&D to support the clinical trials of several new indications of the Company as well as the promising progress of pivotal clinical trials; (ii) expansion of various R&D pipelines through in-house, collaboration and license-in R&D activities; and (iii) increases in staff salary and welfare as a result of the expansion of the R&D team.

3. Selling and Distribution Expenses

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

During the years ended 31 December 2019 and 2020, selling and distribution expenses amounted to RMB320 million and RMB688 million, respectively. The significant increase in selling and distribution expenses in 2020 was mainly due to the strengthened marketing activities for our core product toripalimab and sales force expansion to enhance hospital coverage and market share for our products quickly.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Administrative Expenses

Administrative expenses mainly include administrative staff cost, office administration expenses, and depreciation and amortization.

During the years ended 31 December 2019 and 2020, administrative expenses amounted to RMB217 million and RMB443 million, respectively. The significant increase in administrative expenses in 2020 was mainly due to our business growth and organization expansion.

5. Liquidity and Capital Resources

As at 31 December 2020, bank balances and cash increased to RMB3,385 million from RMB1,214 million as at 31 December 2019. The increase in bank balances and cash mainly came from (i) funds raised from the listing of the Company's A Shares on the STAR Market on 15 July 2020; and (ii) the increase in cash inflow from growth in sales revenue.

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 balance as at 31 December 2020 are:

	'000
HKD	**13**
USD	**92,508**

MANAGEMENT DISCUSSION AND ANALYSIS

6. Non-IFRS Measures

To supplement the Group's consolidated financial statements which are prepared in accordance with the IFRS, the Company has provided adjusted total comprehensive expenses for the year (excluding effects from non-cash related items and one-off events which include but not limited to fair value changes of convertible loan notes, share-based payment expenses, net exchange losses, and listing expenses), as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The Company believes that the non-IFRS financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these non-IFRS financial measures in assessing the Group's financial performance by eliminating the impacts of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the non-IFRS financial results on a stand-alone basis or as a substitute for results under the IFRS, or as being comparable to results reported or forecasted by other companies.

Non-IFRS adjusted total comprehensive expenses for the year

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
IFRS total comprehensive expense for the year	**(1,687,567)**	(741,055)
Add:		
Loss on fair value changes of convertible loan notes measured at FVTPL	**–**	23,426
Listing expense	**1,102**	4,345
Share-based payment expenses	**30,728**	11,797
Net exchange losses	**11,672**	2,266
Adjusted total comprehensive expense for the year	**(1,644,065)**	(699,221)

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

No dividend was paid or declared by the Company during the years ended 31 December 2019 and 2020, nor has any dividend been declared since the end of the Reporting Period.

LOSS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(1,665,639)**	(743,922)

Number of shares:

	Year ended 31 December	
	2020	2019
Weighted average number of ordinary shares for the purpose of basic loss per share	**824,816,637**	783,624,056

(b) Diluted

The Company granted share options on 14 May 2018 and granted Restricted Share Units ("**RSUs**") on 16 November 2020. The computation of diluted loss per share for the year ended 31 December 2020 and 31 December 2019 do not assume the exercise of the Company's outstanding share options and RSUs as this would result in a decrease in loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

INVENTORIES

Our inventories increased significantly from approximately RMB181 million as at 31 December 2019 to approximately RMB343 million as at 31 December 2020, mainly due to the increased purchase of raw materials and consumables in line with our clinical trial progress and the commecialization of toripalimab.

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Raw materials	**277,288**	129,081
Work in progress	**31,887**	35,004
Finished goods	**34,250**	16,581
	343,425	180,666

OTHER FINANCIAL ASSETS

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets		
Financial assets measured at FVTPL		
– Fund	**17**	17
Non-current assets		
Financial assets measured at FVTPL		
– Unlisted equity investment in partnership *(Note a)*	**77,030**	–
– Unlisted equity investments *(Note b)*	**133,007**	69,345
– Investments in preference shares *(Note c)*	**146,688**	–
	356,725	69,345

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

(a) The amount represents unlisted equity investment in limited partnership enterprise ("**Partnership Enterprise**"), which is specialised in making equity investment. According to the Partnership Enterprise agreement, the Group does not have any right on making operating, investing and financing decisions of the Partnership Enterprise.

(b) The amounts represent unlisted equity interest in entities established in the PRC which are mainly engaged in drug discovery. These investments are not held for trading but for long-term strategic purposes.

(c) The amounts represent investments in preference shares in unlisted entities established in the PRC, the USA and the Cayman Islands, which are mainly engaged in drug discovery. For the investment in preference shares in an unlisted entity established in the Cayman Islands with fair value of RMB68,199,000, one out of seven members in the board of directors is designated by the Group.

TRADE RECEIVABLES

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables	**589,207**	157,505
Trade receivables backed by bank bills	**74,116**	–
	663,323	157,505
Less: Allowance for credit losses	**–**	(89)
	663,323	157,416

The trade receivables and trade receivables backed by bank bills are receivables from contracts with customers.

As at 1 January 2019, the Group has no trade receivables and trade receivables backed by bank bills from contracts with customers.

MANAGEMENT DISCUSSION AND ANALYSIS

The aged analysis of the Group's trade receivables and trade receivables backed by bank bills, based on invoice date, at the end of each reporting period are as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
0 – 30 days	**573,437**	96,647
31 – 90 days	**27,876**	60,235
91 – 180 days	**61,103**	534
Over 180 days	**907**	–
	663,323	157,416

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB61,583,000 (2019: RMB8,540,000) which are past due as at the reporting date. Out of the past due balances, no trade receivables has been past due 90 days or more for both years.

As at 31 December 2020, total bills received amounting to RMB74,116,000 (2019: nil) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE AND OTHER PAYABLES

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables	**90,706**	74,616
Accrued expenses in respect of:		
– construction costs of construction in progress	**106,018**	112,561
– research and development expenses *(Note a)*	**215,933**	98,561
– selling and distribution expenses	**31,656**	14,979
– payment to Licensor *(Note b)*	**210,552**	–
– payment to a collaboration party under collaboration agreement *(Note c)*	**30,149**	–
– others	**48,330**	30,004
Accrual for healthcare program	**64,354**	–
Salary and bonus payables	**205,026**	113,311
Other tax payables	**19,620**	10,409
Payables for issue costs	**–**	13,565
Capital contribution payable to an investment in preference shares *(Note d)*	**68,199**	–
Non-refundable deposit received from sub-license agreement	**32,625**	–
Other payables	**91,848**	46,633
	1,215,016	514,639

MANAGEMENT DISCUSSION AND ANALYSIS

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

	At 31 December	
	2020	2019
	RMB'000	RMB'000
0 – 30 days	**74,433**	58,726
31 – 60 days	**4,316**	2,946
61 – 180 days	**2,009**	11,426
Over 180 days	**9,948**	1,518
	90,706	74,616

Notes:

(a) Amounts included service fees payable to outsourced service providers including contract research organisations and clinical trial centres.

(b) Under the License Agreement as set out in Note 5 to the consolidated financial statements, the Licensor is entitled to a portion of sub-licensing income received by the Group from the Licensee. Amount represents sub-license income accrual to Licensor at the end of reporting period, which is repayable upon 30 days after issuance of invoice.

(c) Amount represents payable to a collaboration party for co-development of certain pharmaceutical products.

(d) Amount represents capital contribution payable to an investment in preference shares.

MANAGEMENT DISCUSSION AND ANALYSIS

INDEBTEDNESS

Unsecured Borrowings

As at 31 December 2020, we had unguaranteed and unsecured borrowings of RMB20 million from China Merchants Bank. The borrowings bear fixed interest rates of 3.75% 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 accumulatively drew down RMB800 million of guaranteed and secured loan under such facility as of 31 December 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. The liquidity of borrowings is set out in note 37 to the consolidated financial statements for the Reporting Period.

As at 31 December 2020, the Group has pledged the following assets as security for the Group's bank borrowings:

	2020	2019
	RMB'000	RMB'000
Property, plant and equipment	**1,716,673**	1,607,916
Right-of-use assets	**58,862**	62,425
	1,775,535	1,670,341

The maturity profile of bank borrowings is as follows:		
– within one year	**252,346**	76,891
– within a period of more than one year but not exceeding two yeas	**542,222**	–
– within a period of more than two years but not exceeding five yeas	**–**	744,896
	794,568	821,787

All bank borrowings are denominated in RMB as at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTRACTUAL COMMITMENTS

Capital and Other Commitments

As at 31 December 2020, the Group's capital expenditure in respect of the acquisition of property, plant and equipment and investment contracted for but not provided in the consolidated financial statements was RMB528 million, which increased by 24% from RMB427 million as at 31 December 2019, mainly due to the increased capital expenditure in investment.

Financing Plan

The Group expects to receive RMB3,400 million credit line in the coming year, 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 31 December 2020, the Group was in a net cash position and thus, gearing ratio is not applicable.

HUMAN RESOURCES

As of 31 December 2020, the Group had a total of 1,421 employees. Adhering to the corporate spirit of "excellent people do not pursue appearances, and those who have cultivation and prestige are committed to reality", the Group always attaches great importance to the introduction, motivation, development and nurture of talents at all levels and in various fields. The Group has established a relatively comprehensive remuneration management system and performance management system, and organically combined the two: on the one hand, the Group offers competitive salary and benefits to all employees, and to a certain extent tilts to high-performance and high-potential employees; on the other hand, bonus level and salary increase rate of employees are also closely related to their individual performance and the performance of the Group, creating a fair and just management atmosphere that allows the Company and employees to grow together. During the Reporting Period, the Group granted 28,519,000 Restricted Shares to eligible employees in accordance with the 2020 Restricted A Share Incentive Scheme (see "– 2020 Restricted A Share Incentive Scheme" in this report for further details). From the two dimensions of "corporate development strategy" and "employee development needs", the Group constantly explores the points of convergence between the two, gradually constructs a relatively complete employee training system with continuous enrichment in training programs on fields including professional capabilities, leadership and soft skills, and subsidizes employees to enroll in external training courses.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY COMPETITION LANDSCAPE AND DEVELOPMENT TREND

The Company is an innovation-driven biopharmaceutical company dedicated to the discovery and development of innovative drugs and their clinical research and commercialization on a global scale. With distinguished capability of innovative drug discovery, advanced biotechnological R&D, large-scale production capacity throughout the whole industry chain, and rapidly expanding drug candidate portfolio of tremendous market potential, the Company has a leading edge in the emerging field of immuno-oncology and for the treatment of autoimmune and metabolic diseases.

The research and development model of innovative drugs includes independent R&D, or a cooperative R&D model through licensing from other innovative drug companies or in other forms. Substantially all of the Company's products at IND or later stages are independently developed through our proprietary full industry chain platform, which possesses the first domestically-made PD-1 monoclonal antibody approved to be marketed in China, the first domestic anti-PCSK9 monoclonal antibody that obtained clinical trial approval, the first domestic anti-BLyS monoclonal antibody that obtained approval and the world's first anti-BTLA monoclonal antibody that obtained clinical trial approval. At present, the Company has 30 drug candidates, including 28 innovative drugs and 2 biosimilars, which cover different R&D stages. The Company's rich project reserves, including multiple "original innovative" target drugs, reflect our outstanding capabilities in the R&D of innovative drugs. The Company is one of the few domestic companies with the potential to develop world's first-in-class drugs. As the Company continues to supplement our product pipeline and further explores drug combination therapies, the Company's innovation field will continue to expand into the development of more types of drugs, including small molecule drugs, antibody drug conjugates (ADCs), bifunctional fusion protein, cell therapy as well as the exploration of the next-generation innovative therapies for cancer and autoimmune diseases. The Company will adhere to the following development strategies:

1. Focus on the advancement and commercialization of existing drug candidates

2. Rapidly expand product pipeline

3. Scale up macromolecules fermentation capacity and further improve the competitiveness of our production costs

MANAGEMENT DISCUSSION AND ANALYSIS

"Reform and innovation as the fundamental driving force, with the promotion of high-quality development as the theme" is the driving force for China's economic development in future, and the pharmaceutical industry will also be on the path of independent innovation and high-quality development. Future market competitions will become increasingly fierce while numerous opportunities arise, therefore, a more forward-looking strategic layout is required for innovative companies to differentiate new drugs R&D and innovate integrated marketing models, catering to the actual clinical needs. Based on changes in the external policy environment, future development trends of China's pharmaceutical industry and the sector are as follows:

1. An innovative and competitive market. The government and the market need companies possessing authentic, original and independent innovation, with a foothold in China, global mindset and international competitiveness.

2. The accessibility and affordability of innovation have attracted much attention, and inaccessible innovation is not real innovation. The vast domestic market in exchange for lower prices is the leading direction of the policy. Companies need to make trade-offs in order to win the market while safeguarding innovation.

3. "Three reforms on healthcare and medical industry" are closely linked, putting forward new requirements of forward-looking product positioning, differentiated product R&D and integrated product strategy for biopharmaceutical innovation.

4. Allocating quality medical resources to the primary care system means that there is the need to fully consider the market layout and strategically develop the key primary market while considering the price pressure.

Riding on the superior efficacy of biologics, the significant development in biotechnology, and the increasing R&D investments, it is expected that the global biologics market will further grow to USD402.1 billion in 2023, representing a compound annual growth rate (CAGR) of 9.0% from 2018 to 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

POTENTIAL RISKS

1. Risks Related to Profitability

As at the end of the Reporting Period, the Company has not yet achieved profitability. A long profit cycle is one of the most salient features of the biopharmaceutical industry. It typically takes a long time for a biopharmaceutical company at the R&D stage to grow before it becomes profitable. As an innovative biopharmaceutical business, the Company is currently in an important R&D investment phase, and our R&D investment is expected to increase significantly and consistently in line with the expansion of R&D pipeline and acceleration of domestic and overseas drug clinical trial activities. Our future profitability depends on how fast the drugs currently in development will be released and post-launch sales. On the other hand, heavy R&D investments and high marketing and operating costs will add uncertainties to the Company's profitability. Therefore, it is exposed to the risk of short-term unprofitability.

Toripalimab, the first commercialized product of the Company, has officially commenced sales since 2019. With the inclusion of toripalimab into the latest National Reimbursement Drug List, successive completion of registered clinical trials for more indications of toripalimab and the accelerated development of other drug candidates, the variety of indications and more commercialized products will further improve the Company's financial position and help creating the conditions for the Company to turn around as soon as possible.

2. Risks Related to Sharp Decline in Performance or Loss

In 2020, the Company was still recording net loss attributable to owners of the Company, mainly because the operating income of the Company was not yet sufficient to fully cover R&D expenses in research projects and reserve R&D projects. During the Reporting Period, the Company's R&D expenses were approximately RMB1,778 million, representing a year-on-year increase of 88% compared to last year. The Company continuously enriched its product pipeline, explored the combination therapy of drugs, as well as accelerated the development of existing clinical projects and reserve R&D projects during the Reporting Period, leading to continuous growth of R&D expenses of the Company.

The Company reserved a number of research projects that are in the early pre-clinical research stage. In the future, the Company will continue to make substantial investment in R&D for the completion of pre-clinical research, clinical trials and NDA preparation of research projects and other product pipeline R&D. Besides, the Company's NDA, marketing of new drugs and other aspects will also incur high costs, which may cause a further increase in loss of the Company, thereby adversely affecting the Company's daily operations and financial position. During the Reporting Period, there was no material adverse changes in the principal business and core competitiveness of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Risks Related to Core Competence

Classified as technical innovation, the R&D of new drugs is characterized by long R&D cycles, significant investment, high risks and low success rate. From laboratory research to obtaining approval, new drugs go through a lengthy process with complicated stages, including preclinical study, clinical trial, registration and marketing of new drugs and aftersales supervision. Any of the above stages is subject to the risk of failure. The Company will strengthen our forward-looking strategic research, and determine the direction of new drug R&D according to the needs of clinical drug use. The Company will also formulate reasonable new drug technology solutions, continuously increase the investment in R&D of new drugs, and launch R&D projects for new drugs with prudence. In particular, the Company implements phase-based assessment on drug candidates in the course of R&D. If it is found that the expected result cannot be achieved, the subsequent R&D of such product will be terminated at once, so as to minimize the R&D risks of new drugs.

Among the six anti-PD-1 monoclonal antibodies that have been approved for sales in China, four domestic anti-PD-1 monoclonal antibodies, including the Company's toripalimab, have all been included in the National Reimbursement Drug List upon negotiations. In the future, the Company will face fierce market competition in terms of market share, market promotion and access to distribution.

4. Risks Related to Operations

The Company's business operations require certain R&D technical services and raw materials supply. Currently, the relationship between the Company and existing suppliers are stable. If the price of R&D technical services or raw materials rises sharply, the Company's profitability may be adversely affected. At the same time, the Company's suppliers may not be able to keep up with the rapid development of the Company, and there is a possibility of reducing or terminating the supply of the Company's R&D services and raw materials. If such R&D technical services or the supply of raw materials are disrupted, the Company's business operations may be adversely affected. Also, the Company's raw materials are mainly imported, directly or indirectly. If there are significant changes in the international trade situation, it may have a certain impact on the Company's production and operation.

The adjustment to the 2020 National Reimbursement Drug List has been completed. The Company's core product Toripalimab Injection has been included in Category B in the revised National Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2020 Edition), and is the only anti-PD-1 monoclonal antibody used in the treatment of melanoma in the revised National Reimbursement Drug List. The price drop after the inclusion into the drug list can effectively improve the accessibility and affordability of the Company's products, which is conducive to a significant increase in the sales of toripalimab. However, if the increase in sales is less than expected, it may adversely affect the Company's revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Risks Related to the Industry

In view of the constant reforms in the medical and health system, the establishment of the new National Healthcare Security Administration, the implementation of a series of policies such as control on medical insurance fees, publication of the revised National Essential Medicine List, consistency evaluation, reform in drug approval, compliance regulations, the commencement of centralized procurement of "4+7" drugs on a trial basis and "zero tariff" on imported drugs, encouragement of innovation and reduction in drug prices by pharmaceutical enterprises have become a general trend, and the industry landscape is facing changes. If the Company fails to keep up with industry trends and continues to innovate in the future, or if there are adverse changes in related industrial policies, the Company's development may be negatively affected.

The Company always takes "innovation" as our goal of development. Except for UBP1211 and JS501 which are biosimilars, the other 28 drug candidates are all innovative drugs. In response to the above-mentioned industry and policy risks, the Company will adapt to changes in external policies, continue to improve our innovation capabilities and our ability to continuously develop new products, increase our R&D investments, accelerate the process of innovative drugs entering clinical trial and the market, and respond to challenges with innovation. On this basis, the Company will further expand our production capacity, and reduce the unit cost of our products while maintaining the quality of drugs produced, so as to address the possible price reduction of drugs in future. At the same time, we will adhere to compliance with the laws and regulations and adapt our business operations to changes in regulatory policies, so as to prevent policy risks.

6. Risks Related to the Macro Environment

In the first quarter of 2020, the global outbreak of the COVID-19 pandemic adversely affected the normal operation of every industry. Although the Company's major business operations are not at the center of the pandemic, and toripalimab, which has been approved for marketing, is not a type of drug directly affected by the pandemic, the progress of the Company's clinical trial projects has been delayed to a certain extent, and the R&D and commercialization of toripalimab, our core product, is affected to some extent due to the factors such as healthcare resources tilting towards the prevention and control of COVID-19, the need for prevention and control of the pandemic, and the public anxiety about the pandemic.

Future changes in the international political, economic and market environment, especially the uncertainty of China-US trade relations, and the resulting additional tariffs or other restrictions that China and the United States may impose on cross-border technology transfer, investment and trade, may cause certain adverse effects on the Company's overseas business operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Xiong Jun 熊俊，47

Chairman of the Board, Legal Representative, Chairman of Strategic Committee & Member of Remuneration and Appraisal Committee and Nomination Committee

Appointed to the Board: March 2015
Joined the Group: April 2013

Mr. Xiong is the chairman of board of directors of certain of the Group's subsidiaries, namely, Jiangsu Union Biopharm, Qianhai Junshi, Suzhou Junshi, Suzhou Junao, Suzhou Junshi Biotechnology Co., Ltd. He is also the general manager of Jiangsu Union Biopharm, Suzhou Junshi and Suzhou Junao and a director of Junshi Hong Kong Limited.

Mr. Xiong started his investment in the Group since January 2013. From March 2013 to November 2015, he was the chairman of the board of directors of Shanghai Union Biopharm (a company previously listed on the NEEQ (previous stock code: 430598.NEEQ) and merged with the Company in June 2016), and he also served as its general manager from September 2013 to November 2015; since February 2007, he has been the chairman of the board of directors of Shanghai Baoying Asset Management Co., Ltd.*.

Mr. Xiong obtained his bachelor's degree from Zhongnan University of Finance and Economics (now known as Zhongnan University of Economics and Law) in July 1996 and his MBA from the Chinese University of Hong Kong in December 2007.

Mr. Xiong is the son of Mr. Xiong Fengxiang, a Shareholder of the Company and a party to the 2017 Concert Party Agreement. As at 31 December 2020, Mr. Xiong is deemed to be interested in 218,051,536 A Shares and 2,600 H Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Li Ning 李寧，60

Chief Executive Officer, General Manager & Member of Remuneration and Appraisal Committee and Strategic Committee

Appointed to the Board: June 2018
Joined the Group: January 2018

Dr. Li's main experience prior to joining the Group includes: from May 1994 to January 1997, he served as a senior researcher of WESTAT, the research cooperation center of NIH AIDS in the US; from February 1997 to December 2009, he held various positions, including team leader of the Office of Biostatistics, team leader of mathematical statistician and a statistical reviewer, at the FDA; he was employed by Sanofi from September 2009 to January 2018, and the last position he held was Vice President of Asia Regulatory Affairs in Global Regulatory Affairs; from January 2007 to December 2010, he was a part-time professor at Johns Hopkins University in the US; from November 2010 to November 2012, he was a guest professor at the Clinical Research Institute of Peking University; and from January 2012 to December 2014, he was a part-time professor at the Medical Informatics Center of Peking University.

Dr. Li obtained his bachelor's degree in medicine from Shanghai First Medical College (now known as Shanghai Medical College of Fudan University) in July 1984, his master's degree in medicine from Shanghai Medical University in October 1987 and Ph.D. degree in preventive medicine/biostatistics from University of Iowa, the US in August 1994.

As at 31 December 2020, Dr. Li is interested in 1,560,000 A Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

Feng Hui 馮輝，45

Chief Operations Officer

Appointed to the Board: March 2015
Joined the Group: January 2014

Dr. Feng has over 10 years of industry experience in biotechnology and drug discovery. His experience spans across multiple areas of drug development including antibody discovery, protein engineering, and immuno-oncology. From 2003 to 2007, he worked at Albert Einstein College of Medicine; from 2007 to 2010, he was a scientist in HumanZyme Inc.; from October 2010 to November 2013, he was a scientist in MedImmune, Inc. (a subsidiary of AstraZeneca).

Dr. Feng is the chief operations officer of TopAlliance, an executive director and legal representative of Junshi Biotechnology, the legal representative, executive director and general manager of Suzhou Junmeng and a director and manager of Beijing Tianshi. He took part in the invention of certain registered patents and patents in application in relation to JS001, JS002 and JS003 for the Group.

Dr. Feng obtained his bachelor's degree in biological sciences and technology from Tsinghua University, the PRC in July 1997 and his Ph.D. degree in molecular pharmacology from Albert Einstein College of Medicine, the US in September 2003. Dr. Feng has published a number of academic articles and is an inventor of a number of patents.

As at 31 December 2020, Mr. Feng is interested in 13,960,000 A Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Zhang Zhuobing 張卓兵，54
Deputy General Manager

Appointed to the Board: December 2016
Joined the Group: December 2012

Mr. Zhang has over 20 years of experience in the pharmaceutical industry. Mr. Zhang has also been a director of Shanghai Union Biopharm from November 2011 to November 2015 and a deputy general manager of Shanghai Union Biopharm from July 2008 to November 2015, the legal representative, executive director and general manager of Suzhou Union Biopharm since October 2013, a director of Beijing Xinjingke Biotechnology from May 2016 until June 2018 when it was transferred and a director of Beijing Tianshi since April 2016.

Mr. Zhang was one of the founders of the Company when it was established in December 2012 and was a supervisor of the Company from December 2012 to March 2013. He has also been an executive director and general manager of Suzhou Union Biopharm since October 2013.

Mr. Zhang's main experience prior to joining the Group includes: from January 1997 to May 2004, he served as a department manager of Yantai Medgenn Biopharmaceutical Co., Ltd.*; from May 2005 to October 2008, he served as a scientific researcher of Viron Therapeutics Inc., Canada; from November 2008 to September 2011, he served as a deputy director in Institute of Biopharmaceuticals of Nanjing Simcere Pharmaceutical Research Institute; since February 2011, he has been the chairman of Yongzhuo Boji (Shanghai) Biosciences Technology Co., Ltd.*.

Mr. Zhang obtained his bachelor's degree in biology from Xinjiang University in July 1988 and his master's degree in biochemistry from Tsinghua University, PRC in July 1995. Mr. Zhang was awarded the first prize of the Shandong district award for invention in 2005.

As at 31 December 2020, Mr. Zhang is deemed to be interested in 9,428,000 A Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

Yao Sheng 姚盛，46
Deputy General Manager

Appointed to the Board: December 2016
Joined the Group: June 2014

Dr. Yao's main experience prior to joining the Group includes: from May 2004 to December 2010, he was a research fellow at the Johns Hopkins University School of Medicine in the Department of Dermatology; from January 2011 to October 2011, he was an associate research scientist in the Human Translational Immunology Department at Yale University; from October 2011 to June 2014, he was a senior scientist at Amplimmune Inc., a subsidiary of AstraZeneca, responsible for the tumor immunology and anti-autoimmune diseases antibody project. Dr. Yao is also the President and a director of TopAlliance and a director of Suzhou Junao. He took part in the invention of certain registered patents and patents in application in relation to JS002 and JS003 for the Group.

Dr. Yao obtained his bachelor's degree in biotechnology from School of Life Sciences of Peking University, the PRC in June 1998 and his Ph.D. degree in molecular genetics from Albert Einstein College of Medicine, the US in January 2003. Dr. Yao has a number of articles published in journals including Nature Communications, Science Advances, Immunity, Jem, Blood and JI. Dr. Yao is also an inventor of six registered patents or patents in application.

As at 31 December 2020, Dr. Yao is deemed to be interested in 2,000,000 A Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-Executive Directors

Wu Hai 武海，48

Deputy General Manager (resigned as the Deputy General Manager in October 2020)

Appointed to the Board: December 2016
Joined the Group: June 2013

Dr. Wu has nearly 20 years of experience in the biopharmaceutical industry. From March 2003 to September 2007, he worked as a postdoctoral res affiliate at the Stanford University; from August 2007 to February 2009, he was a scientist at Trellis Biosciences; from February 2009 to May 2013, he was a senior scientist at Amgen. Dr. Wu served as an Executive Director of the Company from December 2016, and was re-designated to a Non-executive Director on 14 October 2020. He took part in the invention of certain registered patents and patents in application in relation to JS002 and JS003 for the Group.

Dr. Wu obtained his bachelor's degree in biochemistry from Nanjing University, the PRC in July 1994 and his Ph.D. degree in genetics and development from the University of Texas Southwestern Medical Center at Dallas, the US in May 2002. He has published approximately 20 articles in relation to biopharmaceutical in academic journals including Nature, Science and EMBO.

Tang Yi 湯毅，53

Appointed to the Board: May 2015
Joined the Group: May 2015

Mr. Tang has over 20 years of experience in the equity investment industry. Mr. Tang's main experience includes: from 1991 to 1993, he served as a department manager of Shenzhen Shekou Foreign Economic Development Company*; from 1993 to 1996, he served as the general manager of Shenzhen Yuesi Industrial Co., Ltd*; since June 1996, he has been the chairman of the board of directors at Shenzhen Finevalue Technology Co., Ltd.*; since December 2010, he has been the chairman of the board of directors at Shenzhen Dingyuan Growth Investment Management Co., Ltd.*; from October 2010 to October 2013, he was a director at Jiajia Food Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 002650.SZ); from June 2011 to November 2018, he was a director of SMMC Marine Drive Systems (Suzhou) Co., Ltd. (a company previously listed on NEEQ (previous stock code: 832549.NEEQ) and delisted in August 2017); since April 2013, he has been a director of Qianhai Yuanben; since July 2013, he has been an executive partner representative at Suzhou Ruiyuan, a Shareholder of the Comapny; since July 2017, he has been the chairman of the board of directors of Jiangsu Xinyun Capital Management Co., Ltd.*. He is also a director of Suzhou Junshi, Suzhou Junao, Qianhai Junshi and Suzhou Junshi Biotechnology Co., Ltd.

Mr. Tang obtained his bachelor's double degree in mechanical engineering and business management from Huaqiao University in July 1989 and January 1990, respectively.

As at 31 December 2020, Mr. Tang is deemed to be interested in 204,145,236 Domestic Shares and 2,600 H Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Li Cong 李聰，57
Member of Audit Committee

Appointed to the Board: December 2016
Joined the Group: December 2016

Mr. Li has over 17 years of experience in the pharmaceutical industry. Mr. Li's main experience includes: from July 1986 to December 1997, he was a lecturer on pathological anatomy of Shanghai Tiedao University School of Medicine; from December 1997 to January 2004, he served as the sales director of the Shanghai branch of NOVO Nordisk (China) Pharmaceuticals Co., Ltd.; from January 2004 to March 2019, he had successfully held the positions of manager of East China Region, sales director, assistant to general manager and general manager at Tonghua Dongbao Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600867.SH)), responsible for manufacturing of diabetes products and operations.

Mr. Li obtained his bachelor's degree in medicine from Shanghai Tiedao University School of Medicine (now known as Tongji University School of Medicine), the PRC in July 1986.

As at 31 December 2020, Mr. Li is deemed to be interested in 3,657,600 A Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

Yi Qingqing 易清清，49

Appointed to the Board: December 2016
Joined the Group: December 2016

Mr. Yi is a partner at Hillhouse Capital Group and has worked with Hillhouse Capital since 2005. Mr. Yi's work at Hillhouse includes investments in the healthcare sector. From August 1995 to May 2001, he served as the manager of the shipping department of Minmetals Shipping & Forwarding Company Limited*; from November 2003 to January 2006, he served as an industry analyst of China International Capital Corporation Limited. Mr. Yi has been a non-executive director of JHBP (CY) Holdings Limited (a company listed on the Hong Kong Stock Exchange (stock code: 6998.HK)) since December 2018 and chairman of the board of directors since November 2019. Mr. Yi has been a non-executive director of JD Health International Inc. (a company listed on the Hong Kong Stock Exchange (stock code: 6618.HK)) since August 2020.

Mr. Yi received a B.S. degree in marine and electrics and marine management from Shanghai Maritime University, the PRC in July 1995 and his MBA from University of Southern California, the United States in May 2003. Mr. Yi has also been an independent non-executive Director of BeiGene, Ltd. (a company listed on NASDAQ (stock code: BGNE. NASDAQ) and Hong Kong Stock Exchange (stock code: 6160.HK)) since October 2014.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Lin Lijun 林利軍, 48

Appointed to the Board: June 2018
Joined the Group: June 2018

Mr. Lin founded Loyal Valley Innovation Capital and has been its chairman since September 2015. Since June 2015, he has been an executive director of Shanghai Loyal Valley Investment Management Co., Ltd. (formerly Shanghai Shengge Asset Management Co., Ltd.); from July 1997 to July 2001, he served as an assistant to the director of office and listing department of the Shanghai Stock Exchange; from May 2004 to April 2015, he was a general manager at China Universal Asset Management Co., Ltd. Mr. Lin has served as a director of Hangzhou Jiuyan Technology Co., Ltd. (a company previously listed on NEEQ (previous stock code: 836484.NEEQ)) from July 2015 to February 2021; a non-executive director of Wenzhou Kangning Hospital Co., Ltd. (a company listed on the Hong Kong Stock Exchange (stock code: 2120.HK)) since June 2017; a non-executive director of InnoCare Pharma Limited (a company listed on the Hong Kong Stock Exchange (stock code: 9969.HK)) since November 2018; and a non-executive director of Akeso, Inc. (a company listed on the Hong Kong Stock Exchange (stock code: 9926.HK)) from November 2019 to August 2020. Mr. Lin has also served as an independent non-executive director in each of the following companies: Shanghai Chengtou Holding Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600649.SH)) from June 2014 to March 2017; Shanghai Xinhua Media Co., Ltd (stock code: 600825.SH) from September 2017 to October 2020; Yintech Investment Holdings Limited (a company listed on NASDAQ (stock code: YIN.US)) from April 2016 to September 2020; TANSH Global Food Group Co., Ltd. (a company listed on the Hong Kong Stock Exchange (stock code: 3666.HK)) from March 2016 to June 2019; Yunfeng Financial Group Limited (a company listed on the Hong Kong Stock Exchange (stock code: 376.HK)) from November 2015 to March 2019.

Mr. Lin obtained his bachelor's degree in global economics from Fudan University in June 1994, his master's degree in global economics from Fudan University, the PRC in June 1997 and his master's degree in business administration from Harvard University, the United States in June 2003.

As at 31 December 2020, Mr. Lin is deemed to be interested in 78,852,000 A Shares and 37,189,000 H Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Chen Lieping 陳列平，64

Member of Strategic Committee

Appointed to the Board: June 2018
Joined the Group: June 2018

Dr. Chen has over 35 years in the medical and pharmaceutical R&D and education industry. He discovered B7-H1 (also called PD-L1) molecule in 1999, demonstrated the role of PD-L1 in the evasion of immunity in tumor microenvironment, established the PD-1/PD-L1 pathway as the target for immuno-oncology in 1999-2002, initiated and helped organize the first-in-man clinical trial of anti-PD-1 monoclonal antibody for treating human cancer in 2006 and developed PD-L1 staining as a biomarker to predict treatment outcome. Dr. Chen's experience includes: from 1990 to 1997, he was a scientist at the Bristol-Myers Squibb Company; from 1997 to 1999, he was a professor in the Johns Hopkins University School of Medicine and Mayo Clinic; from 2004 to 2011, Dr. Chen joined the faculty at School of Medicine of Johns Hopkins University. Since 2011, Dr. Chen has held various positions at the School of Medicine of Yale University, including Professor of Immunobiology, Professor of Medicine (medical oncology), Professor of Dermatology, co-director of the Cancer Immunology Program at Yale Cancer Center and United Technologies Corporation Professor in Cancer Research. He also worked on SPORE in Lung Cancer at the School of Medicine of Yale University.

Dr. Chen is the chairman of the board of directors and directly interested in 60% of the equity interest of Fuzhou Tuoxin Tiancheng Biological Technology Co., Ltd.* (福州拓新天成生物科技有限公司) ("**Fuzhou Tuoxin**"), which was a limited liability company established in the PRC on 17 April 2017 with a registered capital of RMB2 million. According to its business licence, Fuzhou Tuoxin is licensed to engage in business activities including, among others, R&D in biological and pharmaceutical areas. As confirmed by Dr. Chen, Fuzhou Tuoxin focused on the area of cellular immunotherapy in practice and it currently maintains a minimal operation with no substantial business. The Company is of the view that as Fuzhou Tuoxin has no substantial business operation or R&D activities, Fuzhou Tuoxin is not in competition with the Group. Dr. Chen has undertaken to the Company to keep the Company promptly and fully informed of his business or other activities which would or is likely to be in conflict or in competition (or may potentially compete) with the Group.

Dr. Chen is a director and directly interested in 15% of the equity interest of Dayou Huaxia Biotech Medical Group Co. Ltd.* (大有華夏生物醫藥集團有限公司) ("**Dayou Huaxia**"), which was a limited liability company established in the PRC on 27 September 2016 with a registered capital of RMB300 million. According to its business licence, Dayou Huaxia is licensed to engage in business activities including, among others, R&D in biopharmaceutical technology and diagnostic technology, medical research and tests. As confirmed by Dr. Chen, Dayou Huaxia is engaged in development of new antibody drug candidates and immunotherapy in practice, and it is currently at an early stage of R&D, and as of the date of this report, it had not registered or applied for registration of any patents, and there is currently no overlap between the Group's biologic drug candidates and those of Dayou Huaxia. The Company is of the view that since Dayou Huaxia is only at an early stage of R&D and with reference to the progress the Group has already achieved, there is no actual competition between the and Dayou Huaxia, notwithstanding that there may be potential competition in the future if Dayou Huaxia achieves any significant advancement in their R&D.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Chen obtained his M.D. degree from Fujian Medical University, Fuzhou, the PRC in 1982, M.S. degree from Peking Union Medical College, Beijing, the PRC in 1986 and Ph.D. degree from Drexel University College of Medicine, Philadelphia, Pennsylvania, the United States in 1989. Dr. Chen has received several awards and professional recognitions including William B. Coley Award (2014) of Cancer Research Institute, AAI-Steinman Award of American Association of Immunologists (2016), Warren Alpert Foundation Prize (2017) and Luminary Award of World Affairs Council of Connecticut (2018).

Zhang Chun 張淳，64

Chairman of Audit Committee and Remuneration and Appraisal Committee, and member of Strategic Committee

Appointed to the Board: June 2020

Joined the Group: June 2020

Mr. Zhang's main experience includes: from August 1978 to July 1992, he had held various positions in the Industry and Transport Division of the Department of Finance of Jiangsu Province, including the deputy section chief, section chief and deputy division director; from August 1992 to December 1993, he served as the deputy general manager of Jiangsu High and New Technology Venture Capital Company*; from December 1993 to December 1995, he served as the president of Jiangsu Assets and Equity Exchange and the general manager of Jiangsu Asset Appraisal Company*; from December 1995 to December 1999, he served as the director of Jiangsu Certified Public Accountants Company*; from December 1999 to September 2010, he served as the director of the asset appraisal center under the Department of Finance of Jiangsu Province; from September 2010 to August 2017, he served as the division chief of Jiangsu Rural Comprehensive Reform Working Group Office; he has been retired since August 2017.

Mr. Zhang graduated in accounting from Jiangxi University of Finance and Economics, the PRC in July 1985, and graduated in law from Party School of the Central Committee of C.P.C in December 2001. He has been qualified as a Chinese Certified Public Accountant since 1994 and Senior Accountant since December 1997.

Jiang Hualiang 蔣華良，56

Chairman of Nomination Committee and member of Remuneration and Appraisal Committee

Appointed to the Board: November 2020

Joined the Group: November 2020

Dr. Jiang specializes in the fields of drug design, drug chemistry and drug science. Dr. Jiang has been a researcher, project leader and PhD tutor in the medicinal chemistry and drug design fields at the Shanghai Institute of Materia Medica, Chinese Academy of Sciences (the "**SIMMCAS**") since November 1997. He has also held various other positions at the SIMMCAS: from February 2014 to April 2019, he was the director, project leader, researcher and PhD tutor; from December 2004 to February 2014, he was a deputy director, project leader, researcher and PhD tutor; and from September 1995 to November 1997, he served as an associate researcher. Mr. Jiang's other work experience includes: from July 1999 to December 1999, he was a visiting professor in medicinal chemistry at the Weizmann Institute of Science, Israel; and during the periods from February 1997 to July 1997 and from August 2001 to February 2002, he was a visiting scholar at the Hong Kong University of Science and Technology.

Dr. Jiang has been an independent non-executive director of Alphamab Oncology (a company listed on the Hong Kong Stock Exchange (stock code: 9966.HK)) since November 2019. Dr. Jiang has been an independent non-executive director of MicroPort CardioFlow Medtech Corporation (a company listed on the Hong Kong Stock Exchange (stock code: 2160.HK)) since January 2021.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Jiang obtained his bachelor's degree in organic chemistry from Nanjing University, the PRC in July 1987, a master's degree in physical chemistry from East China Normal University, the PRC in July 1992 and a doctor's degree in medicinal chemistry from the SIMMCAS in July 1995. He was elected as an Academician of the Chinese Academy of Sciences in 2017.

Qian Zhi 錢智，53

Member of Audit Committee, Remuneration and Appraisal Committee and Nomination Committee

Appointed to the Board: June 2018
Joined the Group: June 2018

From August 1989 to March 1995, Mr. Qian was a teacher of Jiangsu Law School; from March 1995 to July 1999, he was partner at Nanjing Xiemanlin Law Firm; from July 1999 to December 1999, he was a lawyer of Nanjing Nandou Law Firm; from January 2000 to March 2006, he served as the deputy director and lawyer of Jiangsu Weishide Law Firm; since March 2006, he has been a lawyer and is currently a director at Jiangsu Gowin Law Firm.

Mr. Qian obtained his bachelor of laws degree from Fudan University, the PRC in July 1989 and his master of laws degree from Nanjing University, the PRC in December 2004. Mr. Qian was also awarded "grade one lawyer" (一級律師) by the Jiangsu Municipal Human Resources and Social Security Bureau in November 2015. Mr. Qian has been an arbitrator under the Nanjing Arbitration Committee since September 2017 and was employed as a legal consultant of the Nanjing People's Government in December 2017.

Roy Steven Herbst, 58

Member of Strategic Committee

Appointed to the Board: June 2018
Joined the Group: June 2018

From 1991 to 1997, Dr. Herbst was a clinical fellow, medical lecturer and physician-in-charge of Harvard University; from 1998 to 2011, he held various positions at the University of Texas M.D. Anderson Cancer Center (UT-MDACC) including the Barnhart Family Distinguished Professor of Targeted Therapy, Professor of Cancer Biology, and the Chief of Section of Thoracic Medical Oncology at the Department of Thoracic/Head and Neck Medical Oncology; since March 2011, he has held various positions at Yale University, including Ensign Professor of Medicine (Medical Oncology), Professor of Pharmacology, Professor of Medicine, Chief of Medical Oncology at Yale Cancer Center, leader of the Clinical Research Program in Phase I Cancers at Smilow Cancer Hospital, Associate Director for Translational Research at the Yale Cancer Center and leader of Disease Aligned Research Team in the Thoracic Oncology Program at the Yale Cancer Center.

Dr. Herbst obtained his M.S. degree in molecular biophysics and biochemistry from Yale University, the United States in June 1984, his Ph.D. in Molecular Cell Biology from The Rockefeller University, the United States in June 1990, his M.D. degree in Medicine from Cornell University Medical College, the United States in May 1991, his M.S. degree in clinical translational research from Harvard University, the United States in November 1997 and an Honorary M.A. degree from Yale University in December 2012.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Wu Yu 鄔煜，36

Chairman of the Board of Supervisors

Appointed to the Board of Supervisors: June 2018
Joined the Group: June 2018

Mr. Wu's experience includes: from March 2011 to March 2014, he was the chief analyst in the environmental protection and public utilities department at Sinolink Securities Research Centre; from January 2016 to April 2017, he worked at Huatai Securities Co., Ltd.; since October 2017, he has been the investment director at Shanghai Guoyin Asset Management Centre (LP)*. Mr. Wu obtained his bachelor's degree in electrical engineering and automation from Shanghai Jiao Tong University, the PRC in July 2008 and his master's degree in computational mathematics from Shanghai Jiao Tong University, the PRC in January 2011.

Wang Pingping 王萍萍，39

Appointed to the Board of Supervisors: June 2018
Joined the Group: June 2018

Ms. Wang has been a full-time teacher at the College of Economics and Management of the Shanghai University of Electric Power since March 2006. She obtained her bachelor's degree in statistics from Shanghai University of Finance and Economics in June 2003 and her master's degree in statistics from Shanghai University of Finance and Economics, the PRC in January 2006 and was awarded the college teacher qualification by the Shanghai Municipal Education Commission in September 2006.

Li Ruolin 李若璘，29

Appointed to the Board of Supervisors: May 2019
Joined the Group: August 2017

Ms. Li is currently an assistant of the Chairman of the Board. Ms. Li graduated from University of Michigan with a master's degree in public health in April 2017.

Liu Jun 劉俊，42

Appointed to the Board of Supervisors: June 2019
Joined the Group: June 2019

Mr. Liu worked as a researcher and subsequently a senior researcher at Chanjiang Securities Research Centre* (長江證券研究所) from May 2007 to October 2009. He worked at several positions, ranging from industry researcher, strategic researcher, research director to investment director and investment general manager of equity investment at Everbright Securities Asset Management Company Limited* (光大證券資產管理公司) from October 2009 to September 2016. Since September 2016, he has been serving as the general manager at Shanghai Gulley Tree Investment Partnership (Limited Partnership)* (上海古喬投資合夥企業(有限合夥)). Mr. Liu obtained his bachelor's degree in engineering in July 2000 and his master's degree in management in May 2006, respectively, from Tongji University* (同濟大學), the PRC.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Fu Cexiong 符策雄，44

Appointed to the Board of Supervisors: November 2020
Joined the Group: October 2020

Mr. Fu has been the director of the analysis quality department in Suzhou Junmeng since October 2020. Prior to joining the Group, his main working experience includes: working as a researcher at the proteomics center in New Jersey Medical School from June 2006 to July 2009; working as a researcher at the proteomics center in the Cold Spring Harbor Laboratory from July 2009 to November 2010; working as a senior scientist in Pfizer Inc. from November 2010 to September 2015, to conduct bioanalysis and research and development on protein biomarker and biosimilar; being responsible for process analysis and reporting of biological drugs and ADC in AbbVie Pharmaceutical from September 2015 to April 2018; and being the leader of biologics CMC in Takeda Pharmaceutical Company Limited from April 2018 to October 2020.

Mr. Fu obtained his bachelor's degree in chemistry from Peking University in 2000 and his Ph.D. degree in analytical chemistry from North Carolina State University in 2005.

SENIOR MANAGEMENT

Wang Gang 王剛，64

Dr. Wang joined the Group and has been serving as the deputy general manager and chief quality officer of the Company since August 2019. Dr. Wang's main experience includes: from October 1995 to June 1998, he engaged in post-doctoral research at the US National Institutes of Health; from June 1998 to July 1999, he was a research scientist at the US Osiris Therapeutics; from August 1999 to August 2003, he was a biologist at the US research institute of National Institutes of Health; from August 2003 to June 2005, he was an assistant professor at the US University of Texas; from June 2005 to April 2017, he was a senior policy advisor, an assistant officer at the office in China, a senior auditor and a lead inspector of the FDA; from April 2017 to April 2018, he was the chief scientist of the Center for Drug Evaluation of NMPA for compliance and inspection; from May 2018 to August 2019, he was the vice president of the Shanghai quality department of WuXi Biologics Co., Ltd.. Dr. Wang obtained his doctoral degree in Pharmacology & Toxicology from the School of Medicine of Dartmouth College, the US in 1995.

Duan Xin 段鑫，49

Mr. Duan has been serving as the deputy general manager of the Company since July 2019. Mr. Duan's main experience includes: from July 1994 to December 1998, he was a resident physician of Datai Hospital of Jing Mei Group; from March 1999 to August 2000, he worked at Beijing Jianfumeng Healthcare Limited; from September 2000 to April 2001, he worked at Beijing Qinmai Xinhai Biosciences Co., Ltd.; from May 2001 to May 2002, he worked at Quintiles, Inc. in the United States; from June 2002 to July 2006, he served as a regional sales manager of the cancer division of AstraZeneca Pharmaceutical Co., Ltd.; from August 2006 to July 2011, he was a sales director of the cancer division of Bayer Health Care Co., Ltd.; from August 2011 to November 2017, he served as the national sales director of Shanghai Roche Pharmaceutical Co., Ltd.; from December 2017 to February 2018, he served as a commercial operations director of Amgen Biology Technology Consulting (Shanghai) Co., Ltd.; from March 2018 to April 2019, he served as the general manager of the sales department of the sales corporation in Qilu Pharmaceutical Co., Ltd.. Mr. Duan obtained his master's degree in business administration from Renmin University of China, the PRC in July 2017.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Yin Kan 殷侃，57

Mr. Yin has been serving as the deputy general manager of the Company since August 2020. Mr. Yin's main work experience included: from August 1984 to June 1993, he worked in Changzhou Pharmaceutical Administration Bureau; from June 1993 to July 1994, he served as the head of technology improvement department of Changzhou No. 4 Pharmaceutical Factory; from July 1994 to September 1997, he served as the director of Changzhou No. 3 Pharmaceutical Factory; from September 1997 to November 2002, he served as the deputy general manager at Suzhou Dawnrays Pharmaceutical Co., Ltd.; from November 2002 to September 2003, he was the deputy general manager at Hainan Simcere Pharmaceutical Co., Ltd.; from September 2003 to April 2005, he was the executive deputy general manager at Nanjing Simcere Dongyuan Pharmaceutical Co., Ltd.; from May 2005 to November 2005, he served as the executive vice head of science and industry department of China Huayuan Life Industry Co., Ltd.; from November 2005 to October 2009, he was the executive general manager at Guangdong Bangmin Pharmaceutical Co., Ltd.; from October 2009 to February 2012, he was the general manager of the industry business department of Nanjing Pharmaceutical Co., Ltd., the executive director and general manager of Nanjing Tongrentang Pharmaceutical Co., Ltd., as well as the chairman and general manager of Nanjing Tongle Pharmaceutical Co., Ltd.; from February 2012 to July 2016, he served as the general manager of Changzhou Lanling Pharmaceutical Co., Ltd. Mr. Yin graduated from Nanjing Pharmaceutical College (currently China Pharmaceutical University) majoring in medicinal chemistry, and obtained a bachelor's degree in science in 1984 and graduated from Nanjing University and obtained an EMBA degree in 2005.

Xie Wan 謝皖，48

Mr. Xie has been serving as the deputy general manager of the Company since August 2020. Mr. Xie's main works experience include: from July 1995 to November 2010, he was successively the head of production department, the production director, the crafts manager and the operating director of Tianjin Hualida Biological Engineering Co., Ltd.; from November 2010 to April 2016, he was successively the production director and general manager of production department of Shanghai CP Guojian Pharmaceutical Co., Ltd. Mr. Xie graduated from Shenyang Pharmaceutical University majoring in micro-biological pharmacy and obtained a bachelor's degree in engineering in 1995.

Ma Jun 馬駿，57

Mr. Ma has been serving as the deputy general manager of the Company since August 2020. Mr. Ma's main works experience include: from June 1985 to June 1993, he was an engineer at Shanghai Pharmaceutical Design Institution of National Medical Products Administration; from June 1993 to April 1994, he served as the engineering manager of engineering department of Shanghai branch of Shenzhen Development Bank Property Corporation; from September 1997 to October 2000, he worked at the Shanghai office of Bechtel Corporation, an American company; from November 2000 to March 2001, he worked at Liandeli Enginering Consultation (Shanghai) Corporation; from April 2001 to April 2005, he served as the general manager at AUSTAR Rui'er Engineering Consultation (Shanghai) Co., Ltd.; from April 2005 to May 2009, he was the general manager of engineering business department of AUSTAR Group; from May 2009 to October 2010, he was the general manager of CEFOC-AUSTAR Pharmaceutical Engineering (Shanghai) Co., Ltd.; from October 2010 to February 2013, he served as the deputy general manager of China Electronics System Engineering No.4 Construction Co., Ltd.; from February 2013 to February 2019, he was the vice president of China Electronics System Engineering No.4 Construction Co., Ltd., and concurrently served as a director of Fusi Tehuile (Hebei) Engineering Design Co., Ltd. from June 2015 to February 2019; from February 2019 to December 2019, he was the chief expert of China Electronics System Engineering No.4 Construction Co., Ltd., the chairman of PHARMAC Systematic Engineering (Shanghai) Co., Ltd., and the director of Fusi Tehuile (Hebei) Engineering Design Co., Ltd. In 1985, Mr. Ma graduated from an associated school of Tongji University majoring in heating, ventilation and air conditioning, and obtained a bachelor's degree. In 2009, he graduated from Cheung Kong Graduate School of Business and obtained an EMBA degree. He is currently a doctorate student at Antai College of Economics & Management, Shanghai Jiao Tong University, majoring in MBA.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Xu Baohong 許寶紅, 42

Mr. Xu has been serving as the financial director of the Company since November 2020. Mr. Xu's main work experience included: from June 2004 to May 2011, he served as the head of financial department and other positions of Shanghai Gas (Group) Co., Ltd.*; from May 2011 to April 2013, he served as the research director of Shanghai Homey Asset Management Co., Ltd.*; from April 2013 to February 2020, he served as the general manager and research director of Shanghai Shizhen Investment Management Centre (General Partnership)*; from February 2020 to November 2020, he served as the head of strategic investment department of the Company. Mr. Xu graduated from Shanghai University of Finance and Economics in 2004 and obtained a bachelor's degree in economics and a master's degree in management.

Yuan Lu 原璐，39

Ms. Yuan joined the Group in June 2018. She served as the financial director of the Company from June 2018 to November 2020, and the assistant to the general manager and the person in charge of the internal audit department of the Company since November 2020. Ms. Yuan has over 10 years of experience in finance controlling. Ms. Yuan's main experience includes: from April 2007 to July 2009, she was a finance analyst at Dow Chemical (China) Co. Ltd.; from August 2009 to May 2011, she was employed as a senior finance analyst for the Junior Management Program (Finance and Controlling) at Bosch (China) Investment Co., Ltd.; she worked in Henkel (China) Investment Company Limited from May 2011 to September 2017, the last position she held was BU-Adhesive Consumer China controller; from September 2017 to June 2018, she was the Asia-Pacific business controller at Festo (China) Co., Ltd. Ms. Yuan obtained her bachelor's degree in financial management from Shanghai University of Finance and Economics, School of Accountancy, the PRC in July 2004 and her master's degree in financial management from Shanghai University of Finance and Economics, School of Accountancy, the PRC in January 2007.

Chen Yingge 陳英格，30

Ms. Chen has served as the secretary of the Board since January 2018. Ms. Chen joined the Group in April 2017 and was a securities affairs representative of the Company from April 2017 to January 2018. Ms. Chen obtained her bachelor's degree in pharmacy from Shanghai University of Traditional Chinese Medicine, the PRC in July 2014 and her master's of science degree in drug design from University College London, the United Kingdom in November 2015. Ms. Chen has obtained the qualification of NEEQ secretary of the Board since November 2017, and obtained the qualification of secretary of the board of directors of the Shanghai Stock Exchange STAR Market since October 2019.

Other Senior Management Team

Our senior management also include Dr. Li Ning (general manager), Mr. Zhang Zhuobing (deputy general manager), Dr. Wu Hai (deputy general manager) (resigned as the deputy general manager in October 2020) and Dr. Yao Sheng (deputy general manager), see "－Executive Directors" above for biographical details of Dr. Li Ning, Mr. Zhang Zhuobing, and Dr. Yao Sheng.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Chen Yingge 陳英格

See "－Senior Management" above for biographical details of Ms. Chen Yingge.

Wong Yik Han 黃譯嫻 (appointed on 14 January 2020)

Ms. Wong was appointed as a joint company secretary in January 2020. She is a Manager of Corporate Services of Tricor Services Limited, an Asia's leading business expansion specialist specializing in integrated Business, Corporate and Investor Services. She has around 8 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies and real estate investment trust as well as multinational, private and offshore companies. Ms. Wong is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators). Ms. Wong holds a Bachelor of Commerce degree in Accounting from Hong Kong Shue Yan University.

Yuen Wing Yan Winnie 袁穎欣 (resigned on 14 January 2020)

Ms. Yuen was our joint company secretary from December 2018 to January 2020. She is a director of corporate services division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Yuen has over 25 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

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

The Company has applied the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") as the basis of the Company's corporate governance practices.

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

The Board is of the view that throughout the year ended 31 December 2020 (the "**Reporting Period**"), the Company has complied with all the applicable principles and code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions.

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

The Company has also established written guidelines (the "**Employees Written Guidelines**") on no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time in performing them.

CORPORATE GOVERNANCE REPORT

Board Composition

The Board currently comprises fifteen Directors, consisting of five Executive Directors, five Non-executive Directors and five Independent Non-executive Directors. The details of the Board composition 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. Yao Sheng

Non-executive Directors

Dr. Wu Hai (Re-designated with effect from 14 October 2020)
Mr. Tang Yi
Mr. Li Cong
Mr. Yi Qingqing
Mr. Lin Lijun

Independent Non-executive Directors

Dr. Chen Lieping
Mr. Zhang Chun (Appointed with effect from 19 June 2020)
Dr. Jiang Hualiang (Appointed with effect from 16 November 2020)
Mr. Qian Zhi
Dr. Roy Steven Herbst

The biographical information of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" on pages 48 to 61 of this annual report.

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

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairman also held one meeting with the Independent Non-executive Directors without the presence of other Directors.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Xiong Jun and Dr. Li Ning, respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board, the overall management of the Company, implementing decisions of the Company and its operations, overseeing the Group's regulatory and commercial suitability and sustainability. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally and is also responsible for formulating business strategies, managing operations of the Group, and overseeing the Group's regulatory and commercial suitability and sustainability.

Independent Non-executive Directors

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

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

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

In accordance with the Articles of Association of the Company, every term of a Director is three years. Upon expiration of the term, a Director is eligible to re-election and re-appointment by shareholders at general meeting of the Company.

The service term of the second session of the Board of Directors and the second session of the Board of Supervisors of the Company will expire at the conclusion of the forthcoming 2020 AGM. On 30 March 2021, the Nomination Committee nominated all members of the second session of the Board of Directors of the Company (namely, Mr. Xiong Jun, Dr. Li Ning, Dr. Feng Hui, Mr. Zhang Zhuobing and Dr. Yao Sheng, who are the Executive Directors, Dr. Wu Hai, Mr. Tang Yi, Mr. Li Cong, Mr. Yi Qingqing and Mr. Lin Lijun, who are the Non-executive Directors, and Dr. Chen Lieping, Mr. Qian Zhi, Mr. Zhang Chun, Dr. Jiang Hualiang and Dr. Roy Steven Herbst, who are the Independent Non-executive Directors) to the Board for it to recommend to the Shareholders for re-election at the forthcoming 2020 AGM. The nominations were made in accordance with the Company's terms of reference of the Nomination Committee and the Board Diversity Policy. Each of Dr. Jiang Hualiang (Chairman of the Nomination Committee), Mr. Xiong Jun and Mr. Qian Zhi, who are members of the Nomination Committee, abstained from voting at the Nomination Committee meeting in respect of his own nomination.

CORPORATE GOVERNANCE REPORT

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations in order to give the Company the benefit of their skills, expertise and background.

All Directors have full and timely access to all the information of the Company and may, upon request, seek the advice of legal advisers and other independent professional in appropriate circumstances (including to facilitate the identification of any conflict and competition situation, and to facilitate the enforcement of the above mechanisms if any actual or potential conflict or competition arise), at the Company's expenses for discharging their duties to the Company.

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

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

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

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

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. The Directors will be provided with and are required to receive continuous professional training on corporate governance and directors' duties including, directors' fiduciary duties and duty to avoid conflict, and on identifying potential conflict situation.

CORPORATE GOVERNANCE REPORT

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

During the Reporting Period, the Company organized one training session conducted by the lawyers for all Directors, and some Directors also attended various training courses organized by relevant regulatory authorities. The training session covered a wide range of relevant topics, including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials, including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors for the year ended 31 December 2020 are summarized as follows:

Directors	Type of Training *Note*
Executive Directors	
Mr. Xiong Jun	A/B
Dr. Li Ning	A/B
Dr. Feng Hui	A/B
Mr. Zhang Zhuobing	A/B
Dr. Yao Sheng	A/B
Non-executive Directors	
Dr. Wu Hai (Re-designated with effect from 14 October 2020)	A/B
Mr. Tang Yi	A/B
Mr. Li Cong	A/B
Mr. Yi Qingqing	A/B
Mr. Lin Lijun	A/B
Independent Non-executive Directors	
Dr. Chen Lieping	A/B
Dr. He Jia (Resigned with effect from 19 June 2020)	A/B
Mr. Chen Xinjun (Resigned with effect from 16 November 2020)	A/B
Mr. Qian Zhi	A/B
Dr. Roy Steven Herbst	A/B
Mr. Zhang Chun (Appointed with effect from 19 June 2020)	A/B
Dr. Jiang Hualiang (Appointed with effect from 16 November 2020)	A/B

Note:

Types of Training

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

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

Audit Committee

The Audit Committee consists of two Independent Non-executive Directors, namely Mr. Zhang Chun (chairman of the Audit Committee) and Mr. Qian Zhi, and one Non-executive Director, namely Mr. Li Cong. Mr. Zhang Chun holds the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to make recommendations to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

The Audit Committee held three meetings during the Reporting Period to review, in respect of the Reporting Period, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties. The Audit Committee also met the external auditors three times during the Reporting Period without the presence of the Executive Directors.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee consists of three Independent Non-executive Directors, namely Mr. Zhang Chun (chairman of the Remuneration and Appraisal Committee), Mr. Qian Zhi and Dr. Jiang Hualiang, and two Executive Directors, namely Mr. Xiong Jun and Dr. Li Ning.

The terms of reference of the Remuneration and Appraisal Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration and Appraisal Committee include: (i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration and Appraisal Committee met five times during the Reporting Period to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Executive Directors and senior management and other related matters, and also to make recommendation on the appraisal indicators and standards for participants and fully communicate with the Board and management of the Company to finalize the 2020 Restricted Share Incentive Scheme (Draft) and appraisal methods and submit the same to the Board for consideration.

Details of the remuneration of the senior management by band are set out in note 12 to the consolidated financial statements for the Reporting Period.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee consists of two Independent Non-executive Directors, namely Dr. Jiang Hualiang (chairman of the Nomination Committee) and Mr. Qian Zhi, and one Executive Director, namely Mr. Xiong Jun.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board, assessing the independence of Independent Non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors and engagement of the senior management.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee will review the Company's Board Diversity Policy, as appropriate, to ensure the effectiveness of the Policy.

The Nomination Committee held three meetings during the Reporting Period to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, and to express opinions on the qualifications and requirements of the Directors to be appointed and the senior management to be engaged by the Board. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company.

With a view to achieving a sustainable and balanced development, the Company recognizes board diversity as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All board appointments will be based on meritocracy and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

Pursuant to the Board Diversity Policy, selection of candidates of directors will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT

Set out below are the gender, age and length of service of the Directors as required to be disclosed by the Company's Board Diversity Policy:

Directors	Gender	Age	Length of Service as Director (Date of Appointment as Director)
Executive Directors			
Mr. Xiong Jun	Male	47	More than 6 years (27 March 2015)
Dr. Li Ning	Male	60	More than 2 years (24 June 2018)
Dr. Feng Hui	Male	45	More than 6 years (27 March 2015)
Mr. Zhang Zhuobing	Male	54	More than 4 years (22 December 2016)
Dr. Yao Sheng	Male	46	More than 4 years (22 December 2016)
Non-executive Directors			
Dr. Wu Hai (Re-designed with effect from 14 October 2020)	Male	48	More than 4 years (22 December 2016)
Mr. Tang Yi	Male	53	More than 5 years (30 May 2015)
Mr. Li Cong	Male	57	More than 4 years (22 December 2016)
Mr. Yi Qingqing	Male	49	More than 4 years (22 December 2016)
Mr. Lin Lijun	Male	47	More than 2 years (24 June 2018)
Independent Non-executive Directors			
Dr. Chen Lieping	Male	64	More than 2 years (24 June 2018)
Dr. He Jia (Resigned with effect from 19 June 2020)	Male	66	More than 1 year (24 June 2018)
Mr. Chen Xinjun (Resigned with effect from 16 November 2020)	Male	48	More than 1 year (24 June 2018)
Mr. Qian Zhi	Male	53	More than 2 years (24 June 2018)
Dr. Roy Steven Herbst	Male	58	More than 2 years (24 June 2018)
Mr. Zhang Chun (Appointed with effect from 19 June 2020)	Male	64	Not more than 1 year (19 June 2020)
Dr. Jiang Hualiang (Appointed with effect from 16 November 2020)	Male	56	Not more than 1 year (16 November 2020)

CORPORATE GOVERNANCE REPORT

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection procedures in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level. The particulars of the Nomination Policy are set out as follows:

1. The Nomination Committee shall take into account factors as set out in the Board Diversity Policy when considering the nomination or re-appointment of a candidate, including but not limited to gender, age, cultural and educational background or professional experience, as well as business model and specific needs of the Company.

2. The Nomination Committee shall follow the below procedures for the selection and appointment of Directors and senior management of the Company:

    a) actively communicate with relevant departments of the Company to study the Company's demands on Directors and senior management, and compile the written materials;

    b) extensively search for candidates for Directors and senior management within the Company and in the talent market;

    c) collect the information about the occupation, academic qualifications, job titles, detailed working experience and all part-time employment of the shortlisted candidates, and compiles the written materials;

    d) seek the advice of the nominees on the nomination, otherwise such persons shall not be considered as candidates for Directors and senior management;

    e) convene meetings of the Nomination Committee to examine the qualifications of the shortlisted candidates according to the employment requirements of Directors and senior management;

    f) submit the recommendations and materials concerning the candidates for Directors before electing new Directors; and submit the recommendations and materials concerning the candidates for new member of senior management before appointment;

    g) in performing its duties, the Nomination Committee may, if necessary, invite persons with relevant experience and experts from independent professional consulting firms to attend its meetings or convene expert panels; and engage independent professional consulting firms to participate in formulating remuneration plans for Directors and senior management; and

    h) conduct other follow-up work in accordance with the Board's decisions and response.

CORPORATE GOVERNANCE REPORT

Strategic Committee

The Strategic Committee consists of three Independent Non-executive Directors, namely Dr. Chen Lieping, Dr. Roy Steven Herbst and Mr. Zhang Chun, and two Executive Directors, namely Mr. Xiong Jun (chairman of the Strategic Committee) and Dr. Li Ning.

The primary functions of the Strategic Committee include considering and making recommendations to the Board in relation to the Company's long-term development strategies and major investment decisions.

The Strategic Committee met once during the Reporting Period to review and discuss the Group's strategic plan, and make recommendation to the Board on establishment of appropriate policies and practices in pursuit of the Group's strategic objectives and business plans.

Corporate Governance Functions

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

The Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report during the Reporting Period.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORDS OF DIRECTORS

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

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategic Committee	General Meeting[1]
Mr. Xiong Jun	13/13	–	5/5	3/3	1/1	8/8
Dr. Li Ning	13/13	–	5/5	–	1/1	3/8
Dr. Feng Hui	13/13	–	–	–	–	3/8
Mr. Zhang Zhuobing	13/13	–	–	–	–	3/8
Dr. Yao Sheng	13/13	–	–	–	–	3/8
Dr. Wu Hai (Re-designated with effect from 14 October 2020)	13/13	–	–	–	–	3/8
Mr. Tang Yi	13/13	–	–	–	–	3/8
Mr. Li Cong	13/13	3/3	–	–	–	3/8
Mr. Yi Qingqing	13/13	–	–	–	–	3/8
Mr. Lin Lijun	13/13	–	–	–	–	3/8
Dr. Chen Lieping	13/13	–	–	–	1/1	3/8
Dr. He Jia (Resigned with effect from 19 June 2020)	5/13	1/3	2/5	–	1/1	0/8
Mr. Chen Xinjun (Resigned with effect from 16 November 2020)	10/13	3/3	4/5	2/3	–	3/8
Mr. Qian Zhi	13/13	3/3	5/5	3/3	–	3/8
Dr. Roy Steven Herbst	13/13	–	–	–	1/1	3/8
Mr. Zhang Chun (Appointed with effect from 19 June 2020)	8/13	2/3	3/5	–	–	3/8
Dr. Jiang Hualiang (Appointed with effect from 16 November 2020)	3/13	–	1/5	1/3	–	0/8

Note:

(1) During the Reporting Period, the Company convened 8 general meetings (including 1 annual general meeting, 3 extraordinary general meetings, 2 A share/domestic share class meetings and 2 H share class meetings).

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The Audit Committee assists the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

The Company has adopted a series of internal control policies, procedures and programs designed to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control systems include the following:

Scientific and Clinical Medicines Committee – The Company has established a Scientific and Clinical Medicines Committee comprising our Executive Directors, senior management and certain heads of department, which holds meetings on a monthly basis and is mainly responsible for the overall governance and decision making on drug development investment, strategy and planning of the Company.

Listing Rules Compliance – We have adopted various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions, notifiable transactions, inside information and securities transactions by the Directors.

Code of Conduct – Our code of conduct explicitly communicates to each employee our values and our ground rules for behavior.

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

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

The Board had reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

CORPORATE GOVERNANCE REPORT

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, Supervisors, senior management, officers and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

The Company has engaged an external professional firm for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 168 to 171.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the Reporting Period amounted to RMB3,080,000 and RMB4,259,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company (including Shanghai and Hong Kong), Messrs. Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the Reporting Period is set out below:

Service Category	Fees Paid/Payable (RMB)
Audit Services	3,080,000
– Annual Report	3,080,000
Non-audit Services	4,259,000
– Interim Report	900,000
– Tax Service	1,000,000
– Others	2,359,000
	7,339,000

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. Chen Yingge and Ms. Wong Yik Han of Tricor Services Limited, an external services provider, acted as the Company's joint company secretaries for the Reporting Period. The primary contact person of Ms. Wong Yik Han at the Company is Ms. Chen Yingge, secretary of the Board.

Due to an internal staff resources reallocation of Tricor Services Limited, Ms. Wong Yik Han of Tricor Services Limited has been appointed as joint company secretary of the Company in place of Ms. Yuen Wing Yan, Winnie with effect from 14 January 2020. Relevant details had been set out in the announcement of the Company dated 14 January 2020.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters.

Ms. Chen Yingge and Ms. Wong Yik Han have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training for the Reporting Period.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels. The Company's shareholders communication policy is made available on the Company's website.

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

Convening an Extraordinary General Meeting

Shareholders holding 10% or more of the shares of the Company (individually or together with others) shall be entitled to request for an extraordinary general meeting or class meeting.

The aforesaid shareholder(s) may sign one or more written request(s) of identical form and substance requesting the Board to convene an extraordinary general meeting or a class meeting and stating the subject of the meeting. Shares held by the above shareholders shall be calculated as of the date on which the written request is made by the shareholder(s).

CORPORATE GOVERNANCE REPORT

Putting Forward Proposals at Extraordinary General Meetings

When a general meeting is held by the Company, the Board, the Board of Supervisors of the Company or shareholder(s) who individually or jointly holding at least 3% of the shares of the Company shall have the right to submit new proposals to the Company.

Shareholder(s) who individually or together holding at least 3% of the shares of the Company may propose an extempore proposal 10 days prior to the general meeting by submitting the same to the convener in writing. The convener shall issue a supplemental notice of general meeting within 2 days after receiving the proposed motion specifying the contents of the extempore motion.

Except as provided in the preceding paragraph, the convener shall not amend the proposals specified in the notice of the general meeting nor add new proposals after the notice is despatched.

Putting Forward Enquiries to the Board

To put forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

For H Shareholders

Address: Tricor Investor Services Limited
Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
(For the attention of the Board of Directors/Company Secretary)
Fax: +852 2810 8185

For Domestic Shareholders

Address: Floor 13, Building 2, Nos. 36 and 58, Hai Qu Road, Shanghai, China
(For the attention of the Board of Directors/Company Secretary)
Post Code: 201203
Fax: +86 021 8016 4691

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may call the Company at +86 021 2250 0300 for any assistance.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The Articles of Association of the Company was approved for amendment by the shareholders of the Company at the extraordinary general meetings of the Company held on 3 February 2020 and 16 November 2020, respectively. The changes were mainly to reflect:

1. the notice period for convening general meeting, shareholder's right of raising motions and convening procedures and the provisions of Articles 20 to 22 of the Special Regulations of the State Council on the Overseas offering and Listing of Shares by Joint Stock Limited Companies are no longer applicable.

2. to reflect the result of and in connection with the Company's issue of A shares and listing on the STAR Market.

An up-to-date Articles of Association is available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

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

The Company has adopted a policy on payment of dividends pursuant to code provision E.1.5 of the CG Code and details are summarized as follows:

The Company may distribute dividends in the form of (or a combination of two or more) of the followings:

(1) cash;

(2) shares; and/or

(3) other means as permitted by the laws, administrative regulations, departmental rules and regulatory rules in the place where the Company's shares are listed.

When distributing each year's after-tax profits, the Company shall set aside ten percent of its after-tax profits into a statutory reserve fund (except where the fund has reached 50% of its registered capital.

CORPORATE GOVERNANCE REPORT

If its statutory reserve fund is not sufficient to make up the losses of the previous year, profits of the current year shall be applied to make up the losses before allocation is made to the statutory reserve fund pursuant to the above provisions.

After allocation of the statutory reserve fund from the after-tax profits, the Company may, upon a resolution passed at the shareholders' general meeting, allocate discretionary reserve fund from the after-tax profits.

After making up for the losses and making contributions to the reserve fund, any remaining after-tax profits shall be distributed by the Company to the shareholders in proportion to their respective shareholdings according to the resolutions adopted at the general meeting.

The reserve funds of the Company shall be used to make up the losses of the Company, expand its production and operation or increase its capital. However, the capital reserve fund shall not be used to make up any losses of the Company. In capitalizing the statutory common reserve fund, the remaining balance of such fund shall not be less than 25% of the registered capital of the Company prior to such capitalization.

Where the general meeting violates the preceding paragraph and decides on the distribution of profits to shareholders prior to making up the losses of the Company and allocating to the statutory common reserve fund, shareholders must return the profit so distributed to the Company.

The shares of the Company held by the Company shall not be entitled to any profit distribution. Where any resolution concerning cash dividends, bonus issue or capitalization of capital reserve fund is passed at a general meeting, the Company shall implement the specific proposals within two months upon conclusion of the meeting.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

- Reporting period:

  From 1 January 2020 to 31 December 2020 ("2020").

- Reporting scope

  The scope of this report is consistent with the annual report, the entities it covers are Shanghai Junshi Biosciences Co., Ltd. ("Junshi Biosciences") and its entities within the scope of listing, including Suzhou Union Biopharm Biosciences Co., Ltd. ("Suzhou Union Biopharm"), Shanghai Junshi Biotechnology Co., Ltd. ("Junshi Biotechnology"), Suzhou Junmeng Biosciences Co., Ltd. ("Suzhou Junmeng"), Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd. ("Jiangsu Union Biopharm"), Suzhou Junshi Biosciences Co., Ltd. ("Suzhou Junshi"), Taizhou Junshi Biosciences Co., Ltd. ("Taizhou Junshi"), Shenzhen Qianhai Junshi Hospital Investment Management Co., Ltd ("Qianhai Junshi"), Suzhou Junao Medicine Co., Ltd. ("Suzhou Junao"), Beijing Union Biopharm Junshi Biosciences Co., Ltd. ("Beijing Union Biopharm"), Suzhou Junshi Biotechnology Co., Ltd. ("Suzhou Junshi Biotechnology"), Suzhou Junyou Hospital Management Co., Ltd. ("Suzhou Junyou"), Junshi Hong Kong Ltd. ("Hong Kong Junshi") and TopAlliance Biosciences, Inc. ("TopAlliance").

  In order to facilitate the presentation and reading, for the purpose of this report, Shanghai Junshi Biosciences Co., Ltd. and its entities within the scope of listing are referred to as "Junshi Biosciences", "the Company" or "we", while Shanghai Junshi Biosciences Co., Ltd. located in Shanghai is referred to as "Shanghai headquarters".

  The scope of environmental data includes all production bases that have a significant impact on the environment: Suzhou Union Biopharm and Junshi Biotechnology.

- Basis of preparation

  The Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide (hereinafter referred to as "ESG Reporting Guide" or "the Guide") and its major amendments as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Junshi Biosciences has been in compliance with the "comply or explain" provisions as set out in the ESG Reporting Guide.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Index selection

  This report takes into consideration the materiality, quantification, balance and consistency of all specific indices related to performance disclosure of key issues. We will continue to adjust and optimize the disclosure indices in future reports.

  Materiality: Junshi Biosciences uses right-interest model for stakeholders, stakeholder participation mechanism, and matrix of materiality of substantive issues to identify issues of corporate social responsibility that are important or related to companies and stakeholders.

  Quantification: Junshi Biosciences embodies the principle of quantification by disclosing measurable key performance indicators.

  Balance: Junshi Biosciences reports the Company's work in environmental, social and governance aspects impartially and objectively.

  Consistency: Junshi Biosciences adopted a consistent data disclosure method, compared the data in the report, and marked the changes of statistical methods and key performance indicators.

- Source of data

  The qualitative and quantitative data of the Report came from publicly available sources, internal sources and the related statistics of Shanghai Junshi Biosciences Co., Ltd. and its entities within the scope of listing.

- Form of publication

  This report is published online. The online version can be accessed and downloaded from the website of the Hong Kong Stock Exchange (www.hkex.com.hk), Shanghai Stock Exchange (www.sse.com.cn) and the website of Shanghai Junshi Biosciences Co., Ltd. (www.junshipharma.com).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. ABOUT JUNSHI BIOSCIENCES

Junshi Biosciences, a biopharmaceutical company founded in 2012, 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. Based on the core platform technology of protein engineering, Junshi Biosciences stands at the frontier of R&D of macromolecular drugs. Junshi Biosciences listed on the Main Board of the Hong Kong Stock Exchange in December 2018, and listed on the STAR Market of the Shanghai Stock Exchange in July 2020. With distinguished capability of innovative drug discovery, advanced biotechnological R&D, large-scale production capacity throughout the whole industry chain, and rapidly expanding drug candidate portfolio of tremendous market potential, Junshi Biosciences has great potential in the treatment of tumor immunotherapy, autoimmune diseases and chronic diseases. Junshi Biosciences' production capability covers the whole production process from drug R&D to commercialization: international cooperation is realized based on its early research in the R&D Centers in the US Bay Area and Maryland, while its commercialization process is optimized by its process development and pilot scale production center in Suzhou, China and Lingang production base in Shanghai, China.

Main businesses of Junshi Biosciences:

- Shanghai Headquarters: R&D and evaluation of drug candidates, clinical trial, drug registration and commercialization;
- Suzhou Union Biopharm: operation of the Wujiang Production Base and the commercialization of drug candidates, and it has obtained Good Manufacture Practice of Medical Products (GMP) certification of the World Health Organization;
- Junshi Biotechnology: R&D and operation of the Lingang Production Base, and it has obtained the Pharmaceutical Production License;
- Suzhou Junmeng: R&D of biopharmaceuticals;
- TopAlliance: innovation of monoclonal antibody and development of efficient screening platform; development and engineering of recombinant antibody and TNFR-Fc antibody, and related technological service.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a young and innovative biopharmaceutical company, our mission is to address unmet clinical needs and ensure people's access to medical care, for which we continuously promote the development and growth of the Company. In 2020, the Company's business has been developing rapidly, and has made remarkable achievements in the field of R&D, production and commercialization.

In 2020, the revenue of TUOYI®(toripalimab) sales is RMB1,003 million.

Operating Performance in 2020

In 2020, our product pipeline expanded rapidly. At present, we have 30 drug candidates, including 28 innovative drugs and 2 biosimilars.

In 2020, total revenue of the Company reached RMB1,595 million, representing an increase of 106% compared to the year 2019.

In 2020, TUOYI®(toripalimab) has been granted 1 breakthrough therapy designation, 1 fast track designation and 3 orphan-drug designations by the U.S. Food and Drug Administration (hereinafter referred to as "FDA") for the treatment of mucosal melanoma, nasopharyngeal carcinoma and soft tissue sarcoma.

In 2020, Junshi Biosciences collaborated with the Institute of Microbiology of the Chinese Academy of Sciences to develop a recombinant fully human monoclonal neutralizing antibody (generic name: Etesevimab, hereinafter referred to as "JS016"). We have launched an international Phase Ib/II clinical study. Eli Lilly and Company introduced Etesevimab and is responsible for development activities outside of Greater China. Currently, Etesevimab 1,400 mg and Bamlanivimab 700 mg double antibody therapy have obtained emergency use authorization from FDA.

In 2020, TUOYI®(toripalimab) became the only anti-PD-1 monoclonal antiody for treatment of melanoma in the new catalogue of the National Reimbursement Drug List upon negotiations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Major rewards in 2020:

  - **In January 2020**, TUOYI®(toripalimab), independently developed by Junshi Biosciences, was honored as one of the Top 10 Innovative Drugs in the 12th "Healthy China" Forum (year 2019) and the Company was awarded "Corporate Social Responsibility Industry Model" in the 9th China Charity Festival.

  - **In July 2020,** Junshi Biosciences was granted the "Nomination Award for the 3rd CHIP Forum" of the China Healthcare Innovation Platform and was recognized as one of the "2019 Top 20 Biopharmaceutical Enterprises in China" by the expert committee of the top 100 list of China's pharmaceutical industry, Menet, and Medical Economics.

  - **In August 2020,** Junshi Biosciences was named as "2020 Biopharmaceutical Enterprise of Breakthrough Bioprocess Innovation" in the 4th Biopharmaceutical Bioprocess Development Summit.

  - **In August 2020,** the "Junshi-Lilly JS016 Project" was named as Cooperation of the Year 2020 by PharmaDJ, and was honored as "2020 China Pharmaceutical Innovation Force" by the China National Pharmaceutical Industry Information Center.

  - **In September 2020,** the Company won the "CIIF Innovation Leadership Award" at the 22nd China International Industry Fair for JS016, and was titled as a "Humanistic and Caring Enterprise" by the Chinese Medical Doctor Association, Chinese Medical Humanities, Bethune Spirit Research Association, as well as the organizing committee of the Chinese Medical Humanities Conference.

  - **In October 2020,** the Company was honored as "2020 Outstanding Enterprise in China's Healthcare Industry" in the 5th China Healthcare Industry Summit ("CHS 2020").

  - **In November 2020,** Junshi Biosciences received BayHelix Awards 2020 "R&D Achievement of the Year" in the 6th BioCentury-BayHelix China Healthcare Summit, the "Outstanding Contribution Award of Anti-epidemic" in Gelonghui award ceremony for 2020 best listed companies in Greater China, and made into E Healthcare Executive's list of the "Top 100 Chinese Pharmaceutical Innovation Enterprises in 2020".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **In December 2020,** the Company was recognized as an "Annual SSE STAR Market Company" in 2020 Zhangjiang Group Summit on SSE STAR Market Ecosystem, and won the award for "Outstanding Contribution to Pudong's Economy in 2019" issued by the People's Government of Shanghai Pudong New Area.

- **In December 2020,** the Company won the "New Economy-Biotechnology Company Award" in the Hong Kong Stocks Top 100 Awards Ceremony, and obtained the "2020 Best Corporate Governance Award" provided by the Hong Kong Institute of Certified Public Accountants.

- **In January 2021,** Junshi Biosciences was granted the "2020 Golden Creative Award for Health Communication" and "2020 Social Responsibility Award for Health Communication" in the Health Chats Ceremony held by Guangzhou Daily.

- **In January 2021,** the Company was named as the "Best Pharmaceutical and Medical Company" and "Best IR Team" in the 5th Golden Hong Kong Stock Awards ceremony.

- **In January 2021,** the Company was recognized as "2020 Enterprise of Outstanding Anti-epidemic Contribution" at the 10th China Charity Festival.

Awards and trophies

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. KEY ISSUES: WORKING TOGETHER TO LIGHT UP THE WORLD

In early 2020, the whole country and the world were heavily hit by the COVID-19 pandemic. As a young pharmaceutical company involved in the whole pharmaceutical industry chain, the Company carried out all work in an orderly manner despite of challenges brought by the pandemic, and joined hands with the government as well as other communities and forces to fight against the pandemic. Right after the COVID-19 outbreak, the Company organized a management meeting to analyze, predict, and prepare for the production, supply, clinical trials, R&D and other business operation. It also set up an emergency liaison team for anti-pandemic efforts that allows online meetings at all times to formulate, implement epidemic prevention and control plans and follow up on related matters.

- Employees Care

  Ever since the pandemic outbreak, the Company has been issuing announcements to its employees to provide pandemic prevention measures, as well as updated policies concerning pandemic prevention, resumption of work, salary and leave arrangement, as well as other matters. The Company did not only protect the legitimate interests of employees to the greatest extent, but also ensured effective operation in difficult times, and further enhanced team cohesion and unity.

  The Company established a 24/7 emergency prevention and control mechanism at the very beginning of the pandemic. Through online and other means of communication, the chairman, chief executive officer, chief operations officer, HR department, and the head of each subsidiary kept close contact with each other to stay updated on employees' conditions as well as to exchange opinions and make decisions on pandemic prevention and control. Apart from collecting and gathering information about employees' health conditions and travel arrangement daily, the Company keeps improving its anti-pandemic plan and provides detailed and humanized attendance management regulations such as those concerning remote working and staggered working hours.

  In addition, by actively coordinating internal and external resources, the Company ensured that pandemic prevention facemasks are provided to employees upon their resumption of work. It also stored sufficient disinfectant, thermometers and other epidemic prevention and disinfection equipment to guarantee employees' health at work.

  During the pandemic, Junshi Biosciences managed to achieve zero increase in COVID-19 infections or suspected cases among all employees and their immediate family members. At the 2020 HR Technology Conference & Exposition, Junshi Biosciences was granted an award for "Best HR Management Solution during the COVID-19 Outbreak".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Accelerated R&D of Anti-Pandemic Drugs

In response to the national call to proactively fight against the pandemic, Junshi Biosciences collaborated with the Institute of Microbiology of the Chinese Academy of Sciences to draw on the platform advantages of both parties to develop potential preventive and therapeutic neutralizing antibodies for COVID-19. In May 2020, the Company and Eli Lilly and Company entered into an agreement on the development of innovative drugs against COVID-19, which will expedite global clinical research on COVID-19 treatment. In June 2020, JS016 entered clinical trials at Huashan Hospital of Fudan University as China's first neutralizing antibody against COVID-19. In September 2020, as a cutting-edge exploration of technology-enabled pandemic prevention and control, JS016 won the "CIIF Innovation Leadership Award" at the 22nd China International Industry Fair. JS016 is currently under clinical trials in China and the US. Etesevimab and bamlanivimab has obtained emergency use authorization for the treatment of COVID-19 in the United States and Italy. It is expected to play a positive role in global COVID-19 prevention and treatment and bring significant social benefits in the future as it is conducive to containing the pandemic, reassuring people, and resuming work and production.

Shanghai Lingang production base is producing JS016

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Stable Supply of "Lifesaving" Drugs

  TUOYI®(toripalimab), an anti-tumor drug that has entered the market, is a "lifesaving drug" for tumor patients, yet is under urgent clinical need. After the COVID-19 outbreak, while strictly following the information registration, personnel quarantine, and safety protection regulations, the Company ensured orderly production with the least possible employees by moderately slowing down its production through flexible coordination. In addition, by placing orders with suppliers in advance and coordinating logistics resources, the Company guaranteed a continuous supply of drugs in all regions, making sure that the drug inventory can meet local patients' needs during the pandemic.

- Protection for Patients in Clinical Trials

  When the COVID-19 fallout including the shutdown of tumor clinics, visitor limits in research centers, and mobility disruptions first started to affect routine clinical works, the Company immediately sent medical protective materials to the project teams, researchers, and patients, and arranged separate transportation to ensure smooth operation. The Company's efforts achieved notable results and kept the overall drop-out rate within a normal range.

- Assistance in Online Charitable Clinics

  During the pandemic, in order to prevent hepatobiliary tumor patients from being infected when going out for medical treatment and to ensure these tumor patients get diagnosis and treatment as usual, the Company, together with People's Daily Health Client, Health Times, Specialized Committee of Difficult Tumors of China Medicine Education Association, and other organizations, held a large-scale public welfare activity for liver cancer patients named "Despite of the merciless virus, love shines in the fight against cancers". From 21 to 23 February 2020, a charitable clinic session was especially organized for patients in Hubei, with priority given to the family members of COVID-19 frontline medical staff. The Hubei session provided telemedicine services to over 100 patients, attracted 17,754 participants and had an accumulated viewing time of 475,073 minutes.

  Additionally, in January 2020, the Company donated RMB1 million in cash to the Wuhan Red Cross Foundation for purchasing medical supplies needed in the prevention and control of the pneumonia caused by COVID-19.

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III. CORPORATE GOVERNANCE

The Company complies with the requirements under the Company Law of the PRC, the Securities Law of the PRC, the Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange, the Corporate Governance Code contained in Appendix 14 to the Listing Rules, other regulatory documents and Articles of Association of Shanghai Junshi Biosciences Co., Ltd. (hereinafter referred to as "Articles of Association") to conduct its corporate governance. The Company's shareholder meeting is the highest decision-making body. The Board of Directors has decision-making power, and executes the mission of the shareholders meeting. The general manager executes the decision of the Board of Directors and is responsible for corporate management. There are four committees under the Board of Directors: the Audit Committee, the Nomination Committee, the Strategic Committee and the Remuneration Committee. "Terms of Reference of the Audit Committee", "Terms of Reference of the Nomination and Appraisal Committee", "Terms of Reference of the Strategic Committee" and "Terms of Reference of the Remuneration and Appraisal Committee" have been formulated correspondingly. These four rules play important roles in risk prevention and control, and corporate decision-making process. The Company has always taken a responsible approach to improve operational efficiency and corporate competitiveness, in order to protect shareholders' rights and increase company value.

Junshi Biosciences attaches great importance to the commitment to corporate social responsibility and are committed to working with stakeholders to create sustainable value in terms of environmental, social and economic levels. The Board of Directors participated in environmental, social and governance related work and is responsible for the Company's strategy deployment and supervision of strategy implementation. In the process of formulating strategic planning, the Company takes full account of the strategy of social responsibility. It also pays attention to the risks related to environment, society and governance in the assessment of internal and external risks in the business operating process, and develops corresponding coping strategies.

In order to better promote and fulfil corporate social responsibility, we set up an environmental, social and governance working group which consists of the secretary of the Board of Directors, the securities department, the environmental health and safety department and the backbone of the quality department to carry out environmental, social and governance work. Other functional departments cooperate with the working group to carry out practical activities around corporate social responsibility issues. In addition, we pay great attention to the cultivation of the social responsibility awareness of all employees, strive to promote full participation of social responsibility, and integrate social responsibility work into our daily business activities.

The reporting and disclosure of environmental, social and governance work information is an important channel for us to continuously improve corporate social responsibility performance and communicate with stakeholders. We have clarified the reporting path of environmental, social and governance work. The head of the environmental, social and governance working group will report to the Board of Directors on the annual work, and disclose the performance of our social responsibilities to the Company's equity holders through environmental, social and governance reports prepared in compliance with the ESG Reporting Guide.

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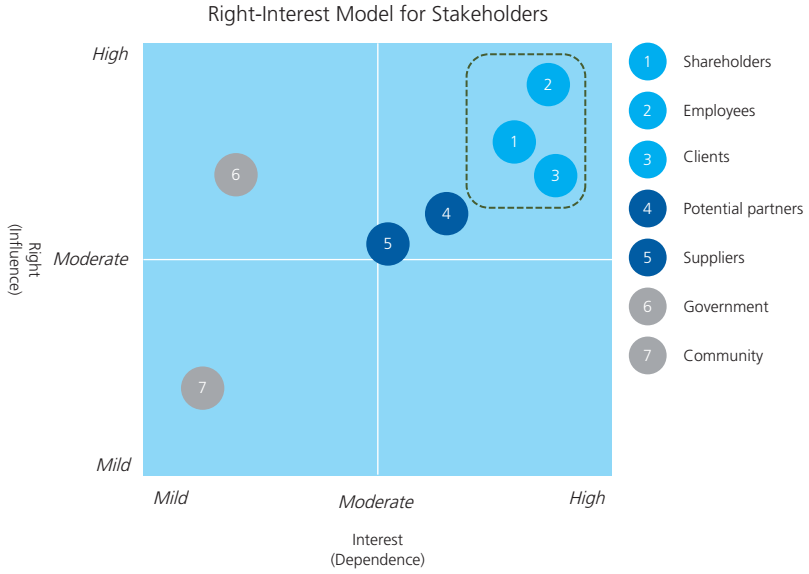
IV. SUBSTANTIVE ISSUE ANALYSIS AND SELECTION

The focus of this report is the substantive issues to the stakeholders. In order to better understand the demands and concerns of the stakeholders, we analyzed their rights and interests, and identified the important stakeholders of the Company. On this basis, the Company analyzed and selected the interests and demands of the stakeholders, and finally identified 17 important substantive issues.

1. Identification and Analysis of Stakeholders

In accordance with the relevant guidelines and standards such as the ESG Reporting Guide as set out in Appendix 27 of the Listing Rules, we have assessed the level of influence and dependency of different stakeholders by using the right-interest model.



Right-interest model for Junshi Biosciences' stakeholders

As shown in the above diagram, shareholders, employees and clients are our most important stakeholders. The rights and interests of these three parties achieved a high score in both the evaluation of their influence and dependence on us. Therefore, while disclosing the key performance indicators required by the ESG Reporting Guide, key disclosures on the substantive issues related to these three parties will be made in this report.

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2. Screening of Substantive Issues

We communicated with stakeholders in forms of interviews, meetings, industrial exchanges and opinion surveys etc., and summarized the substantive issues stakeholders are concerned with as collected in our daily operation process, and adopted corresponding communication and response modes to fully meet the demands of stakeholders, as shown in the following table:

Stakeholders	Substantive issues	Mode of communication and response
Shareholders	Corporate governance	Timely information disclosure
	Technology R&D	Expansion of product pipeline
	Intellectual property protection	Intellectual property protection
Employees	Employee rights protection	System improvement and implementation
	Occupational health and safety	Periodic physical examination
	Career development	Regular training
Clients	Client service system optimization	Client service improvement
	Product quality and safety	Product quality system optimization
Potential partners	Product quality and safety	Product quality system optimization
	Win-win cooperation	Cooperation enhancement
	Technology R&D	Expansion of product pipeline
Suppliers	Responsible procurement	Better supplier management
Government	Operation compliance	Information disclosure & anti-corruption
	Production safety	Better management of production safety
	Emission of waste	Strict disposal of waste
	Green office	Economic use of resources
	Extreme weather response	Establishment of typhoon and flood control team
Community	Participation in charity event	Charity donation
	Community building	Consolation to families in need

Expectations and demands as well as mode of communication and response of the stakeholders of Junshi Biosciences

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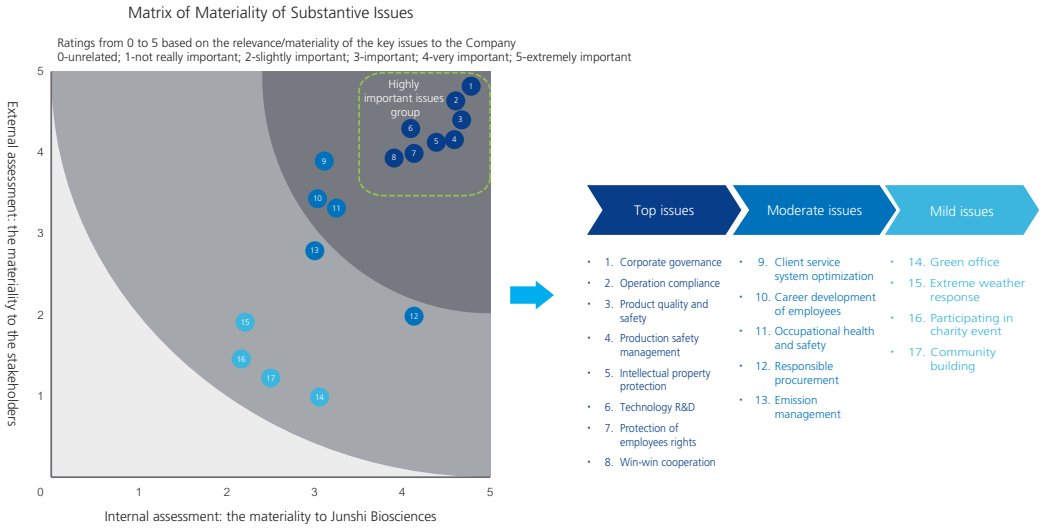
3. Evaluation and Confirmation of Substantive Issues

We use the materiality matrix model to form the preliminary evaluation results on the substantive issues which the stakeholders are concerned about. The expert group composed by the heads of the relevant departments makes a comprehensive evaluation, and makes definitive conclusions on the substantive issues that exert a great impact on the stakeholders, which provides the foundation for the management and information disclosure in sustainable development of the Company.

Material issues in year 2020



Matrix of materiality of substantive issues and evaluation on the materiality of substantive issues

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V. OPERATION COMPLIANCE ENSURES STABLE GROWTH

We pay attention to the construction of compliance system, strictly follow the relevant national laws and regulations and the pharmaceutical industry regulatory policies, persist in promoting and implementing the corporate culture of operation compliance, and advocate the compliance principal as well as high standard business and personal ethics from top to bottom. We established a whole-process compliance operation system for pre-event, in-process, and post-event practice, which covers reasonable pre-event approval, objective business confirmation, compliant in-process guidance, and comprehensive post-event review, and ensured operation compliance of the Company through the cooperation of different departments. We also issued comprehensive compliance operation policies and constantly optimize the compliance requirements in the process of operation. We set up management policies involving anti-fraud, meeting communications and exchange, information disclosure and investor relations management etc. to ensure that the Company is always in a healthy and compliant operating environment. There was no non-compliance case in 2020.

1. Anti-fraud and Compliance

We always adhere to the highest standards of business ethics, comply with medical and ethical guidelines and international laws and regulations, and maintain a zero-tolerance attitude towards corrupt practices and commercial briberies. We stipulated in the Article of Association that our Directors, Supervisors and senior management must abide by the principle of good faith and fulfil their loyalty obligations, and must not abuse their power, accept bribes and misappropriate company funds. We encourage employees and all parties having direct or indirect economic relationship with the Company to report confirmed or suspected fraud or violations of professional ethics by employees through reporting hotline, email, mail, etc. All of our employees have signed the Code of Business Conduct and Ethics and promised to operate in compliance. We also formulated Measures for Handling Employee Non-compliance Cases to specify the handling measures for different kinds of violations, so as to regulate employee behavior and ensure compliance operation of the Company. In addition, we conduct regular compliance checks, including the compliance checks on promotional and non-promotional activities in 2020. For the procurement compliance management, we include supplier integrity and integrity management provisions in the Supplier Management Procedures, which requires an integrity and compliance agreement to be signed by all suppliers and their conduct be supervised. In 2020, the Company was not involved in corruption or bribery.

2. Meeting and Communication Compliance Management

We strictly abide by the Law of the People's Republic of China against Unfair Competition, Interim Provisions on the Prohibition of Commercial Bribery, Circular on Issuing 2020 Major Tasks for Rectifying Bad Practices Arising in the Pharmaceutical Purchase and Sale Field and in Medical Services, and Administrative Measures for the Record-filing of Medical Representatives. In accordance with the newly implemented Administrative Measures for the Record-filing of medical representatives, we completed the online information reporting of all personnel that are required to report, and actively conducted internal training and education to regulate medical representatives' academic promotion. In 2020, we arranged quarterly plenary training sessions on compliance policies to provide a comprehensive introduction of the compliance policies and answer relevant questions. Meanwhile, we organized trainings every now and then for compliance with the China Quality Certification Center for Medical Devices ("CMD"), Medical Affairs Department, channel access compliance, etc.

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On this basis, we established the Meeting Compliance Management System to clarify the requirements relating to place, venue, travel, brand reminder of meetings held by Junshi Biosciences and related expense of meetings held by third parties; in cases of more stringent policies, our employees shall abide by the more stringent requirements. In addition, in order to standardize the exchange of information with external institutions and personnel about company and product information, provision of scientific, R&D and educational information and to support interactive activities with medical research and education, we also formulated operation procedures such as the Interaction with External Institutions and Personnel and the Restriction Standards on Interacting with External Institutions and Personnel to set out the principles of objectivity, independence, transparency that relevant personnel participating in the communication activities shall follow, and the management requirements of the specific process.

In the year 2020, some of our business modes changed and the number of online meetings increased drastically due to the pandemic. Based on the requirements for legitimacy, authenticity, relevance, and reasonableness, we provided effective compliance guidance on online meetings and successfully ensured smooth business operation despite of the external changes.

3. Information Disclosure Compliance

In accordance with the Company Law of the PRC, the Securities Law of the PRC, Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange, the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited and China Securities Regulatory Commission, etc., we formulated the Information Disclosure Management System, clarifying the basic principles and the scope of information disclosure, the responsible persons and the disclosure procedures to regulate the Company's information disclosure act and increase the transparency of the Company's information disclosure. We strictly abide by the rules and regulations for information disclosure, actively fulfil information disclosure obligations, and effectively protect the legitimate rights and interests of the Company, the shareholders, the creditors and other stakeholders.

We are committed to establishing and maintaining sound public relations with securities regulatory authorities, Shanghai Stock Exchange, the Stock Exchange of Hong Kong Limited, industry associations, the media and the related institutions, promptly understanding and mastering the policies and regulations promulgated by the regulatory authorities and guiding the media to make an objective and fair report on the Company's situation. After the occurrence of major issues such as litigation, major restructuring, changes in key personnel and major changes in the business environment, we effectively respond to the issues and actively maintain the Company's public image.

We have designated the information disclosure platform designated by the Hong Kong Stock Exchange (www.hkex.com.hk), Shanghai Stock Exchange (www.sse.com.cn), and the Company's official website (www.junshipharma.com) as the medium to publish the Company's announcements and other information requiring disclosure.

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4. Protection of Investor's Interest

We attach great importance to the protection of investors' interests. In order to strengthen communication with the investors, safeguard the legitimate rights and interests of the investors, and promote long-term, stable and benign relations between the Company and our investors, we have formulated the Investor Relations Management System, in which we clarified the content, methods, organization and implementation requirements of investor relationship management. Through the implementation of the system, we strive to build a trustworthy and harmonious investor relationship.

The Chairman and the management of the Company focus on the communication with investors. We have set up an investor relations page on our official website to provide a platform for investors to understand the Company and avoid the inconsistency of information received among the investors. Meanwhile, the Securities Department is responsible for investor relations management and shareholder data management, to increase the transparency and compliance of corporate information disclosure, enhance investors' understanding and recognition of the Company, establish a stable and high-quality investor base, obtain long-term market support, and build a corporate culture that serves and respects the investors.

We treat all investors fairly and avoid selective disclosure. We proactively listen to our investors' opinions and suggestions to realize two-way communication and form a positive interaction between the Company and the investors. The Company communicate with investors mainly through regular announcements and interim reports, general meetings, the Company's website, telephone consultations and press conference, and occasionally organize analyst briefings, performance briefings and roadshow activities to respond to the issues raised by analysts, investors and the media. In addition, we also hold investor visits and telephone inquiries to actively listen to investors' requests and safeguard their rights and interests.

We pay close attention to the Company's stock trading dynamics on a daily basis, and when necessary, we provide clarifications on information that has or may have a significant impact on the company's share price or affects investors' decisions and manage public opinions and crisis events in a proper manner. In addition, we keep improving our investor relations management by giving more priority to investor relations management, optimizing the investor relations management mechanism, intensifying training for relevant personnel, and strengthening investor relations management assessment.

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VI. INNOVATIVE R&D DRIVES EXCELLENCE

Innovation is the key to survival for any pharmaceutical enterprise. Since the inception of Junshi Biosciences, it has been upholding the principal of "Adhere to Innovation-driven R&D". We have established a strong R&D team and cooperated with leading enterprises in the industry to drug "the undruggable" targets and address outstanding clinical needs across the world so that people's access to medical services are guaranteed. We set up a R&D center in the United States at the early stage of the Company's establishment, absorbing and integrating overseas R&D technology to further enhance the Company's R&D strength. The Company's R&D innovation field has extended from the monoclonal antibody drugs since its establishment to small molecule drugs, antibody drug conjugates (ADC), bifunctional fusion proteins and cell therapy, etc. It has gradually become a company with a multidimensional R&D system. In addition, the Company is committed to protecting intellectual property. It has taken a series of measures to protect its R&D achievements and patents to accelerate technology accumulation and product upgrading.

1. R&D Capability

- *R&D team*

  As a research-intensive enterprise, Junshi Biosciences believes that constant innovation is the power source for a company's sustained development. Each year, increasing R&D investment is provided for clinical trials and for introducing talent. For the year 2020, the Company's R&D expenses were RMB1,778 million, representing a 87.9% increase compared to that in 2019.

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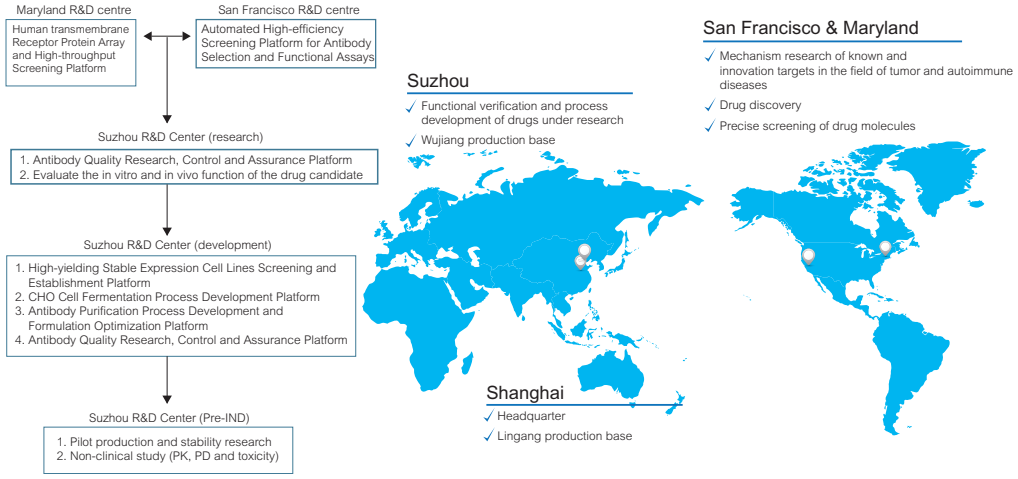
A professional R&D department is specially established by the Company to manage drug discovery, process development, pre-clinical research, as well as R&D across the entire industry chain of clinical trials. The R&D team of the Company boasts profound professional knowledge and rich experience in the industry. In addition, most of the Company's core R&D professionals served major R&D institutions and multinational pharmaceutical companies, have led or participated in the clinical trials of various innovative drugs, and have both solid theoretical knowledge and abundant practical experience. In 2020, we further improved relevant specifications of the R&D system, updated R&D Project Life Cycle Management Regulations and Procedures, R&D Team Management Regulations and Procedures, R&D Project Communication Management Regulations and Procedures, R&D Project Centralized Evaluation Meeting Management Procedures, Project Classification and Numbering Management Procedures and other standard management regulations and procedures to clarify the responsibilities of the relevant departments and management requirements for R&D process and communication, which improved the efficiency of R&D project management.

Through optimal resource allocation, distinguished capability of innovative drug discovery, advanced biotechnological R&D, and large-scale production capacity through the whole industry chain, the Company has conducted its clinical studies and commercialized its drugs across the world. Apart from the R&D center in Suzhou, the Company established two overseas R&D centers in San Francisco and Maryland. See the figure below:



R&D centers distribution

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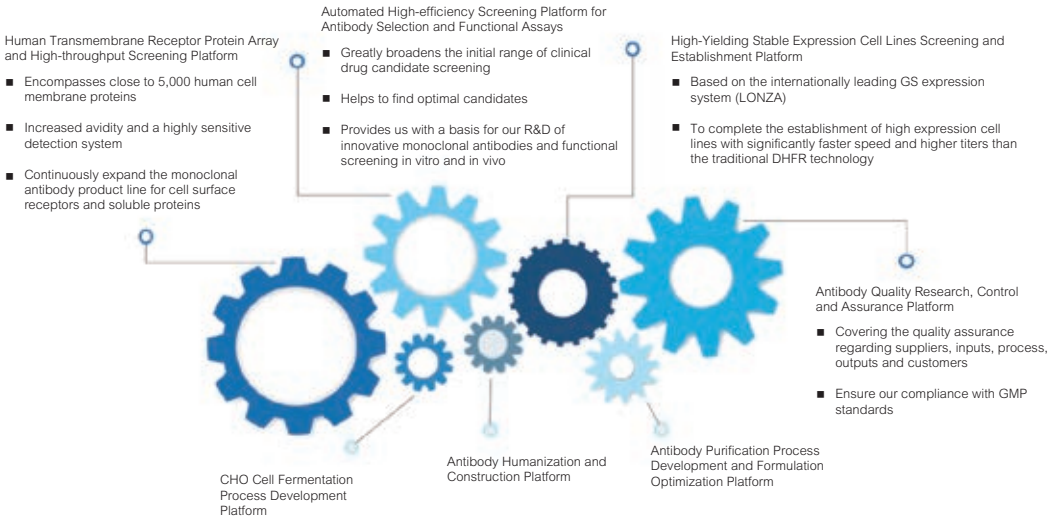
Supported by its abundant talent reserve and sustained capital investment, Junshi Biosciences devised a globally integrated R&D procedure. The Company self-developed and established a comprehensive technology system that covers the entire life cycle of protein drugs from early-stage R&D to commercialization. The system consists of seven technology platforms, including four core technology platforms: the automated high-efficiency screening platform for antibody selection and functional assays, human transmembrane receptor array and high-throughput screening platform, antibody quality research, control and assurance platform, and high-yielding stable expression cell lines screening and establishment platform. Details are as follows:



The seven technology platforms of Junshi Biosciences

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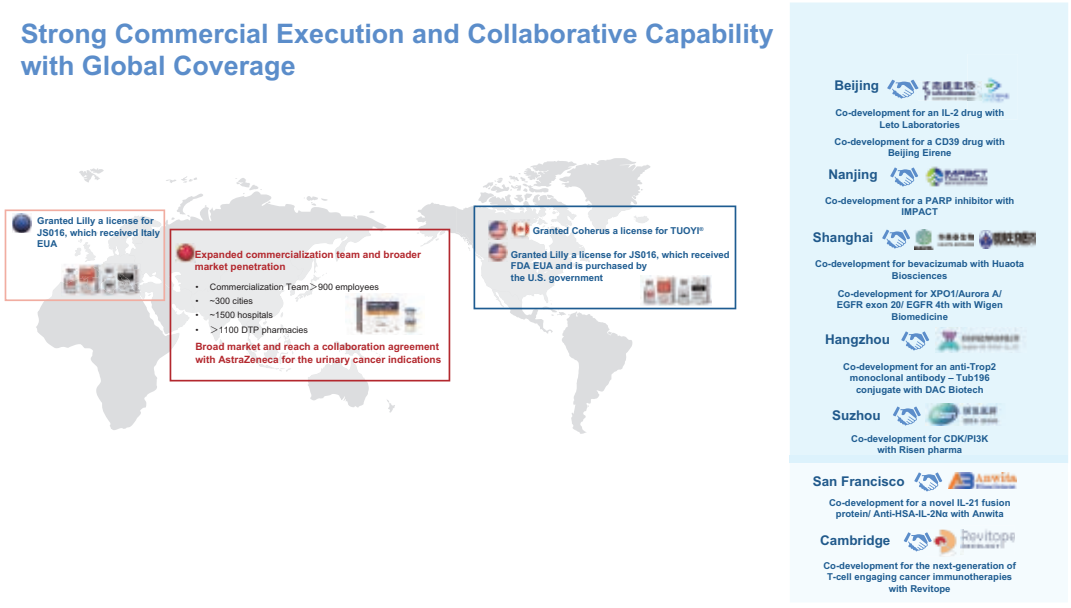
- *Strategic cooperation*

Junshi Biosciences has established stable cooperation and formed mature cooperation mechanisms with Runjia (Suzhou) Pharmaceutical Technology Co., Ltd., Anwita Biosciences, Inc, Hangzhou Duoxi Biotechnology Co., Ltd., Shanghai Huaota Biopharmaceutical Co., Ltd. and other well-known pharmaceutical companies and medical institutions in the world. Through collaboration on clinical treatment, we can share resources, complement each other's strength, achieve a win-win situation for all parties, and eventually serve the public. Relying on our strong technical platform, we cooperated with more partners in 2020, for example, Wigen Biomedicine Technology (Shanghai) Co., Ltd., IMPACT Therapeutics, Inc., Revitope Oncology Inc., Eli Lilly and Company, Merck KGaA, Institute of Microbiology of the Chinese Academy of Sciences, etc. The trust of business partners is also a recognition of our R&D ability.

With the continuous development of the global and Chinese biopharmaceutical R&D market, beyond seizing external opportunities, increasing investment in innovation, and improving its R&D capability, the Company will actively promote the R&D of drug combination, license-in and will jointly explore the unknown, to pioneer and invent.



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2. R&D Progress and Achievements

- *Ongoing projects*

From the beginning of 2020 to the present, we continued to expand our product pipeline through utilization of our complete in-house development platforms as well as collaborative development at home and abroad, increasing the number of our drug candidates from 21 to 30. In addition, the Company made progress in several ongoing research projects:

- In February 2020, the recombinant humanized anti-BTLA monoclonal antibody injection (TAB004/JS004) was approved by NMPA for clinical trials and completed the first patient dosing in April 2020;

- In May 2020, the first patient was dosed in the Phase I clinical study of recombinant humanized anti-IL-17A monoclonal antibody injection (JS005) in China;

- In June 2020, the first patient dosing was completed in the Phase III clinical study of TUOYI®(toripalimab) in combination with Lenvatinib as a first-line treatment for patients with advanced hepatocellular carcinoma;

- In July 2020, the recombinant humanized anti-Trop2 monoclonal antibody-Tub196 conjugate for injection (JS108) was approved by the NMPA for clinical trials and its first patient dosing was completed in November of the same year;

- In September 2020, the first patient dosing was completed in the Phase III clinical study of TUOYI®(toripalimab) in combination with Axitinib as first-line treatment for patients with advanced kidney cancer.

On this basis, several registered clinical trials reached their pre-specified primary research endpoints in mid-term analyses: in September 2020, the Phase III clinical trial of TUOYI®(toripalimab) in combination with chemotherapy as a first-line treatment for nasopharyngeal carcinoma met its primary endpoint; and in December 2020, the Phase III clinical trial of TUOYI®(toripalimab) in combination with chemotherapy as a first-line treatment for non-small cell lung cancer hit its primary endpoint.

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In 2020, we continued to accelerate clinical R&D and filing for new indications of TUOYI®(toripalimab) globally:

- In April 2020, the NMPA accepted the supplemental New Drug Application (sNDA) in respect of TUOYI®(toripalimab) as a treatment for recurrent/metastatic nasopharyngeal carcinoma that had previously failed second-line and above systemic treatment;

- In May 2020, the NMPA accepted the sNDA for TUOYI®(toripalimab) as a treatment for locally advanced or metastatic urothelial carcinoma that had previously received systemic treatment.

In addition, we continued to promote FDA orphan drug designation applications for new drugs to accelerate the pace of clinical trials and new drug application:

- In March 2020, TUOYI®(toripalimab) in combination with Axitinib received FDA orphan drug designation for treatment of mucosal melanoma, setting a precedent that a Chinese solution in the melanoma field might be the solution to a worldwide problem;

- In May 2020, TUOYI®(toripalimab) for treatment of nasopharyngeal carcinoma received FDA orphan drug designation and subsequently received FDA breakthrough therapy designation in September, becoming the first anti-PD-1 monoclonal antibody from China to receive the designation. TUOYI®(toripalimab) for treatment of soft tissue sarcoma was also granted orphan drug designation by the FDA in September of the same year.

- In February 2021, the marketing application for new indications of TUOYI®(toripalimab) combined with chemotherapy for advanced first-line recurrent and metastatic nasopharyngeal carcinoma that has not received systemic treatment was accepted by NMPA; the marketing application for new indications of TUOYI®(toripalimab) combined with chemotherapy for the treatment of patients with recurrent/metastatic nasopharyngeal carcinoma who have failed second-line and above systemic treatment was approved by NMPA with conditions.

It is worth mentioning that in December 2020, the Company's self-developed anti-PD-1 monoclonal antibody drug TUOYI®(toripalimab) passed the national medical insurance access negotiations and became the only anti-PD-1 monoclonal antibody drug for treatment of melanoma on the new catalogue of the National Reimbursement Drug List, allowing patients to receive treatment at a more affordable price, thus greatly relieving patients' economic burden and effectively extended the lifetime of patients.

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- *R&D achievement sharing*

In 2020, we continued to share our research progress in the industry, with a number of research results published in international authoritative academic journals, among which the research results related to TUOYI®(toripalimab) are particularly impressive:

Keep on Exploring Academic Frontier

As of March 30 2021, 47 abstracts have been published at international conferences and 44 papers have been published in SCI journals with a cumulative impact factor of 371.61

The Company participates actively in various academic meetings to exchange with experts and scholars new ideas, knowledge and technologies within the field. In 2020, TUOYI®(toripalimab) achieved multiple breakthroughs: It was presented at several authoritative clinical research conferences including American Society of Clinical Oncology ("ASCO"), American Society of Clinical Oncology Genitourinary (ASCO-GU), European Society for Medical Oncology (ESMO 2020), American Association for Cancer Research (AACR 2020), Society for Immunotherapy of Cancer (STIC 2020) and Chinese Society of Clinical Oncology (CSCO), which demonstrated the innovative strength of Chinese pharmaceuticals to the world.

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ASCO reconfirmed the bright future of TUOYI®(toripalimab) combination treatment

From 29 to 31 May 2020, a total of nine research results of toripalimab were presented at the annual meeting of the American Society of Clinical Oncology (ASCO 2020), among which the research concerning mucosal melanoma was presented orally at the conference. The updated results of the Phase Ib clinical study of toripalimab in combination with Axitinib for treatment of advanced mucosal melanoma, led by Prof. Guo Jun from Beijing Cancer Hospital, showed that the overall survival benefit of patients is significantly longer than previous treatment, with a median survival of nearly 2 years, which represents another breakthrough in the history of advanced mucosal melanoma treatment. In addition, it further demonstrates that toripalimab in combination with Axitinib is a safe, tolerable, and highly promising combination therapy in the first-line treatment of advanced mucosal melanoma. The oral presentation underwent rigorous screening and review by the organizing committee of the ASCO 2020 and was selected from more than 6300 submissions worldwide. This is the second time in more than a decade that the clinical study results of an innovative drug that is independently developed by China and led by Chinese scholars for the first-line treatment of advanced melanoma have been presented to the world at the ASCO, which marks a high degree of recognition by the international oncology community.

During the CSCO — Junshi Immuno-Oncology Summit, experts present shared new developments in immune combination therapy

On 31 May 2020, the China Society of Clinical Oncology ("CSCO") and Junshi Biosciences held the "CSCO-Junshi Immuno-Oncology Summit-2020 ASCO Express" online to fulfill the academic communication needs of Chinese experts in the oncology field and obtain the most advanced academic insights in the Immuno-Oncology field at the ASCO timely. We invited a number of experts to exchange ideas and share insights on the latest development in melanoma immunotherapy, in a bid to deepen the research and benefit more patients.

STIC Annual Conference showcases the new clinical research results of TUOYI®(toripalimab) in the treatment of locally advanced esophageal squamous cell carcinoma

From 9 to 14 November, 2020, at the 35th Annual Meeting of the Society for Cancer Immunotherapy (SITC 2020), we demonstrated a single-arm, neoadjuvant single-center clinical research of toripalimab combined with chemotherapy for locally advanced esophageal squamous cell carcinoma. The results showed that in operable patients, the rate of R0 resection (without tumor cells remaining) could reach 100%. Among them, 58.3% of patients achieved major pathological remission (MPR), and 16.7% of patients achieved pathological complete remission (pCR); The follow-up time was 4.5 months, and no patients relapsed.

Experts analyze immune predictive factors at CSCO Immune Night Talk Online Conference

On 29 December 2020, at the CSCO Immune Night Talk Online Conference, we invited many experts to discuss the future direction of immune drug research and development from the perspective of tumor immune microenvironment, immunotherapy drug resistance mechanism and treatment and other hot topics. They also introduced clinical case studies during the discussion. This series of conferences aims to focus on clinical hot topics of immunotherapy, explore clinical practical cases, and solve clinical practical problems.

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3. Intellectual property protection

In order to protect and maintain continuous innovation, we attach great importance to the protection of the intellectual property. The Patent Department is responsible for handling all matters in relation to intellectual property, including the formulation and implementation of the Company's intellectual property strategies and plans, the establishment of intellectual property risk management system, the prevention of intellectual property-related risk exposures, and the management over the administrative works on patent layout implementation, exploration and application. The department will also provide assistance in handling litigation in relation to intellectual property when necessary.

With reference to the Patent Law of the People's Republic of China, the Implementation Rules on the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, Guidelines for Patent Examination and other laws, regulations and normative documents, the Company reviewed its management systems regarding intangible assets, including patent rights, trademarks, and formulated the Administrative Measures on Patents and the Administrative Measures on Intangible Assets. Through the establishment of systematic system on regulation over intellectual property of patents and trademarks, the Company established the maintenance and protection system on intangible assets such as patents and trademarks, thereby actively safeguarding matters in relation to intellectual property of the Company and its partners with respect to clinical indications and drug combination.

With respect to trademark management, the Company pays close attention to the use of similar trademarks on the market while actively applying for trademark registration. When a trademark registration is approved, the Patent Department assigns a responsible person to watch closely for infringements and monitor its renewal in the system.

In terms of employee confidentiality management, the Company requires core employees to sign a confidentiality agreement when they enter the Company. The terms of the agreement will specify the ownership of intellectual property, process methods and technical property rights in the future. For R&D personnel who have access to technical information, a separate technical confidentiality agreement shall be signed.

As of 31 December 2020, the Company owned 70 licensed patents, of which 55 were domestic patents and 15 were overseas patents.

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VII. QUALITY-FIRST POLICY GUARANTEES SUSTAINED PROSPERITY

As a pharmaceutical manufacturer, product quality is our lifeline. The Company pays great attention to product quality management. For this reason, we established a sound quality management system and strictly manage our suppliers. At the same time, we continue to expand the sales team, improve customer service, and continuously improve customer satisfaction.

World-class production equipment

1. Quality Management

We attach great importance to product quality, upholding the policy of "quality first, respect life, continuous innovation, and pursuit of excellence". We strictly abide by the current "Drug Administration Law of the People's Republic of China", "Implementation Regulations on Drug Administration of the People's Republic of China", "Drug Production Supervision and Administration Measures" promulgated by the State Administration for Market Regulation and other departments, "Drug Registration Administration Measures", and "Drug Recalls" Management Measures, "Non-clinical Drug Research Quality Management Practices", "Pharmaceutical Clinical Trials Quality Management Practices", "Drug Instructions and Labeling Management Regulations", "Pharmaceutical Manufacturing Quality Management Practices" and "Adverse Drug Reaction Reports" promulgated by the Minister of Health of the People's Republic of China, as well as the requirements of the European Union Pharmaceutical Administration Regulations, the US Federal Regulations and the Tripartite Coordination Guidelines of the International Coordination Conference for the Registration of Technical Requirements for Human Drugs. On this basis, the "Quality Manual" was formulated to clarify the quality management system and quality control system, production system, etc., as well as the management responsibilities of various quality-related departments.

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We carry out quality training and assessment for employees on a regular basis, and assign employees to participate in professional training organized by external industry organizations and government departments. We believe that through these training activities and related assessments, we can ensure that employees have the corresponding qualifications for the job and that various GMP activities can be effective and correct, which further guarantees the quality of our products. In 2020, Suzhou Union Biopharm and Junshi Biotechnology carried out more than 5,000 professional trainings in total. The training topics covered production code of conduct, basic microbiological knowledge, regulatory documents, etc. Employees actively participated and achieved 100% pass rate in the assessment.

In order to manage the quality of our products more scientifically and efficiently, we officially launched the Electronic Quality System (EQS) project from the group level in the second quarter of 2020, including the Document Management System (DMS), the Training Management System (TMS), the Quality Management System (QMS) and the Laboratory Information Management System (LIMS). These systems were simultaneously implemented in the Shanghai headquarter, Suzhou Union Biopharm and Junshi Biotechnology. As of the end of 2020, the TMS and DMS have been successfully tested and launched, and the other two systems are also being steadily advanced in accordance with the project plan. In addition, Junshi Biotechnology launched the Distributed Control System (DCS) and Manufacturing Execution System (MES) to monitor process parameters and environmental parameters in real time. The launch of the electronic information system means that the quality management system will transit from "paper management" to "electronic management", which will help us achieve management from the group level, further improve data reliability and compliance, and reduce human errors. The project plays a key role in the improvement of the entire quality system.

In 2020, we received a total of 10 internal and external quality audits, including 2 on-site audits by Eli Lilly, 1 on-site inspection by Shanghai Drug Administration, and 1 annual GMP site by Suzhou Inspection Branch of Jiangsu Drug Administration Unannounced inspection, 1 EU QP on-site audit, and 5 internal audits (including group audit and self-inspection), covering production management, quality management, laboratory management, supplier qualification and organizational structure, technical management, equipment management, and materials and warehouse management and procurement management, etc. All entities passed the inspection smoothly, no major or above defects were found, and met the standards of the corresponding quality management system.

Intelligent quality and production management system

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Customer Service

- *Sales team*

The Company has established a specialized sales team responsible for commercializing TUOYI®(toripalimab) and other drug candidates. The team leader and key members of the team are all from transnational pharmaceutical enterprises, having rich experience in drug sales.

We continue to expand sales channels and develop innovative marketing and medical strategies based on the characteristics of TUOYI®(toripalimab) and clinical trial data. We sign contract with distributors that meet the Good Supply Practices (GSP) requirements, and sell TUOYI®(toripalimab) monoclonal antibody to hospitals and pharmacies. As of 31 December 2020, the penetration range of our company's product, TUOYI®(toripalimab), has expanded to nearly 1,500 hospitals and more than 1,100 pharmacies in nearly 300 cities.

- *Customer privacy protection & complaint management mechanism*

In terms of the protection of customer privacy, we have defined the scope of privacy and confidentiality by formulating the standard operating procedures in Interaction with External Organizations and Personnel, and required the Company's employees to strictly protect customer privacy in accordance with the system requirements.

For customer information communication and feedback, we formulated the Customer Complaint Management Standard Operating Procedures and the Drug Adverse Reaction Management Standard Operating Procedures, and established an adverse reaction monitoring system. We will closely monitor the customer's experience with the product. We have opened a third-party phone platform and set up an adverse event report page on the Company's official website so customers may report adverse reactions to us through various channels in the future. We also assigned personnel to carry out follow-up tracking.

- *Product recall mechanism*

We care about drug safety, and have formulated the Drug Recall Management Standard Operating Procedures and the Product Returns Management Standard Operating Procedures to regulate the management procedures in relation to product returns and recalls. We also conducted whole-process product recall trainings to ensure the operational effectiveness of the product recall mechanism.

Product recall process simulation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. Supplier Management

Standardizing and strengthening supplier management can create a positive competition environment for the Company, reduce procurement risks, and maximize the comprehensive benefits of procurement quality, cost, service and efficiency. We formulated the Supplier Management Procedures, the Procurement Standard Management Procedures, the Outsourcing and Management of Clinical Services, and other procurement and supplier management systems; regulated processes, including procurement application, payment and acceptance, and specified the evaluation and selection criteria for different types of suppliers, dynamic management and information archive management requirements. In addition, the Company has launched the Enterprise Resources Planning system to support the scientific and efficient management of the whole process of procurement through the system while perfecting the system. Moreover, building on the existing procurement departments of the Company's branches, the Company will establish a group procurement center to focus on supplier selection and management, unification of procurement systems and processes, and reduction of procurement costs through large-scale procurement. The group procurement center was put into operation in January 2021 to progressively implement the centralized procurement model. In 2020, our procurement process went smoothly without any delays in production, clinical trials and engineering construction. The continuous improvement of supply chain management provided guarantee for production and project R&D. For construction projects and service projects that require bidding, we strictly follow the Bidding Law of the People's Republic of China.

We adhere to the principle of "strict access, quantitative evaluation, fault elimination, and dynamic management" for supplier management to build a dynamic and closed-loop management system. When including a new supplier, we assign a person to conduct field visits and keep the complete assessment record of such supplier. When selecting suppliers, the Company will give priority to suppliers with better performance in environmental protection and social responsibility after comprehensively considering their product and service quality, price level and technical standards, and support local suppliers. For qualified suppliers, we include them on the List of Qualified Suppliers and conduct annual performance evaluation. We will eliminate and blacklist suppliers with quality defects, failed environmental impact assessment or integrity issues.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VIII. ENVIRONMENT PROTECTION ALLOWS SUSTAINABLE DEVELOPMENT

We know that the development of enterprises is closely related to the environment, and we always emphasize the importance and necessity of green production. In the course of daily production and operation, we adhere to the policy of "green development through energy conservation, pollution reduction, compliance with laws, and constant optimization" and strictly deal with all kinds of wastes discharged in the process of production. At the same time, we are concerned about the impact of extreme weather on production to ensure the sustainability of our operations. There was no environment-related non-compliance case in 2020.

Shanghai Lingang Production Base

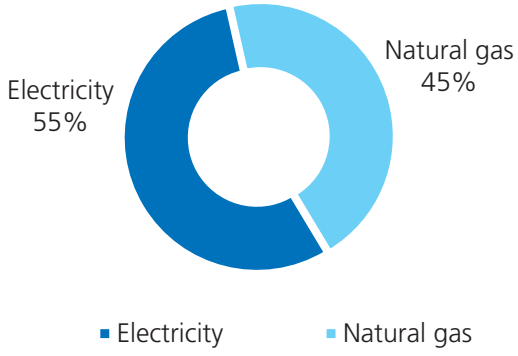
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. Use of Resources

In compliance with laws and regulations such as the Energy Conservation Law of the PRC and Opinions on Strengthening Water-saving Work in Industry, we have formulated the policy of "green development through energy conservation, pollution reduction, compliance with laws, and constant optimization", and actively implemented this policy in the production and management process.

During the production process, we mainly consume water, natural gas and electricity. In 2020, we consumed 61,578.49 MWh of energy. Among them, electricity consumption is 33,918.49 MWh and natural gas consumption is 27,660.00 MWh.

Energy consumption by energy type



In 2020, based on the Building Management System (BMS) system we installed the previous year, we deployed an additional energy management system to classify the statistics of water, electricity and steam consumptions, which will provide statistical support and basis with practical reference value for evaluating the effectiveness of energy conservation and emission reduction measures in the future. It further strengthens our control over energy consumption and improves efficiency of energy use, thereby further reducing unnecessary energy consumption. In addition, we try to avoid using energy at peak hours and strive to use electricity in an economical way. We also regularly maintain production equipment and replace components in a timely manner to ensure production efficiency and safety while further reducing energy consumption of production equipment.

During the daily operation management process, we promote Green Office by encouraging "paperless" work and recycling of office supplies. The administrative department continuously reminds employees to save resources through slogans and notifications, such as advocating double-sided printing, saving electricity, recycling waste paper, and properly planning the driving routes of official vehicles.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Emission Management

We have established the Environment, Health and Safety (EHS) Department to effectively manage emissions during research, development and production. In complying with relevant laws, regulations and normative documents such as Environmental Protection Law of the PRC, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste, National Catalogue of Hazardous Wastes, Classified Administration Directory for Environmental Impact Assessment of Construction Projects, Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise, Regulations of Shanghai Municipality on Environmental Protection, and Environmental Protection Regulations of Jiangsu Province, we developed Standard Operating Procedures for Waste Management, Standard Operating Procedures for Biological Waste Management, and Standard Operating Procedures for Preventing Pollution, Cross-pollution, and Errors in Production Workshops. In 2020, we revised and updated Standard Operating Procedures for Waste Management by adding more operational flowcharts, optimizing relevant procedures, and clarifying the collection, storage, and treatment methods for various types of waste, in order to realize recycling and harmless treatment, thereby minimizing the negative impacts on the environment.

- *Exhaust emission*

  The main exhaust produced during the production process include buffer waste gas, experimental waste gas, boiler combustion waste gas, etc. In order to effectively control the exhaust emissions and reduce environmental pollution, we adopt different treatment methods, such as lye spray and activated carbon adsorption, etc., according to the types of exhaust to ensure the discharge after proper treatment. In 2020, no excessive emissions occurred. The emission data was far below the maximum allowable emission concentration and rate stipulated by the regulations and standards.

- *Wastewater discharge*

  We have built our own independent sewage treatment equipment to pre-treat the wastewater from quality control room, biological filter, and liquid waste from clinical laboratory during the production process in order to ensure that the quality and quantity of the treated wastewater are within the acceptance range of the sewage treatment plant.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- *Solid waste management*

Our main solid waste is from the production process, which can be categorized into non-hazardous wastes and hazardous wastes. Non-hazardous wastes include activated sludge, waste molecular sieves and domestic wastes. Hazardous wastes include waste pharmaceuticals, waste activated carbons, waste disposable shake flasks, waste disposable reactors, waste filters, waste ion exchange resins, defective products, laboratory solid wastes, etc.

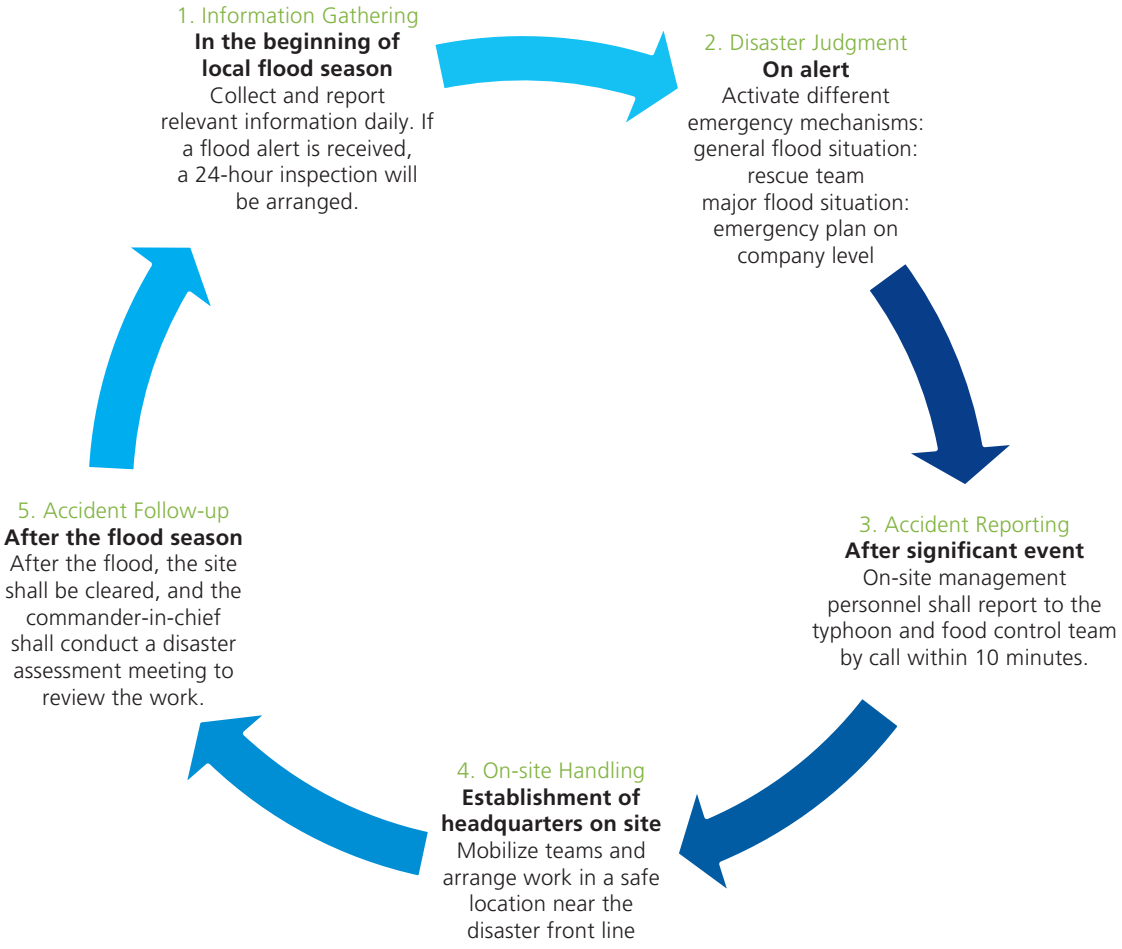
For non-hazardous wastes, we categorize them into recyclable and non-recyclable wastes. For non-recyclable wastes, the sanitation department carry out unified clearance and transportation. For recyclable wastes, they are recycled by relevant departments. In addition, in order to reduce environmental pollution, after filtering the activated sludge, we use slaked lime for stable treatment before delivery to further reduce the moisture content in the sludge, thereby restraining the reproduction of bacteria and pathogens.

For hazardous wastes, we collect them in the production system and quality inspection workshop, and put them into specific sterilizing bags. After sterilizing with the high-temperature sterilization equipment, the wastes are stored in the temporary storage room for hazardous wastes. The professional unit holding the hazardous waste business license is entrusted for receiving and processing at a fixed time. In order to ensure the safety of employees, we require employees to take necessary protection in the process of sorting and transferring to prevent the contact with and infection of harmful substances. We also attach great importance to hazardous wastes management in the experiment process. In the laboratory, we placed waste barrels that need to be sterilized, and set up different waste barrels for the experimental waste liquid with different chemical properties. The hazardous waste labels are also attached on the barrels.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. Extreme Weather Response

In order to cope with extreme weather and maintain production and operation, we developed typhoon& flood-prevention emergency plan. With the general manager and deputy general manager being commanders, a response team was established and separately, teams for the purpose of rescue, support and coordination were set up. We clarified the emergency response process at different stages, including information gathering, disaster judgment, accident reporting, on-site handling, and accident follow-up, to enhance our awareness and ability to resist extreme weather.



Emergency Response Process

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IX. PEOPLE-ORIENTED CULTURE ENSURES MUTUALLY BENEFICIAL HARMONY

Employees are a key resource of company's sustainable operation and steady development. We care for our employees' physical and mental health, try hard to safeguard the legitimate rights and interests of each employee, improve the career development system of employees, create harmonious labour relations, and actively create a warm working environment for our employees. Meanwhile, we actively devote ourselves in public welfare, benefit the public through the project of new drug charitable donation, and repay patients' families in the PRC with continuous drug R&D and innovation and favorable pricing so as to fulfil our social responsibility.

1. Employee Caring

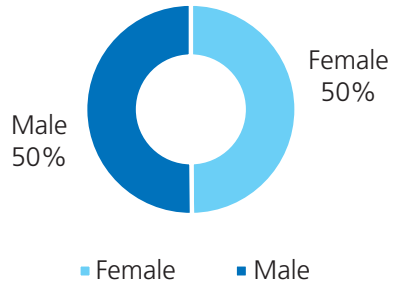
In 2020, while continuing to comply with the relevant laws and regulations, such as the Labour Law of the PRC, the Labour Contract Law of the PRC, and the Special Provisions on Labour Protection of Female Employees, we reviewed our human resources policies and stuck with the Measures for the Management of Labour Contracts, the Measures for the Management of Recruitment and On-boarding, the Measures for the Management of Employee Performance, the Measures for the Management of Working Hours and Holidays, the Measures for the Management of Employee Training, and the Measures for the Management of Promotion, Transfer and Rotation of Employees etc., and formulated the Measures for Handling Employee Non-compliance Cases to form a more standardized HR policy system to protect employees' rights and interests from multiple perspectives, such as equal employment, performance management, and career advancement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

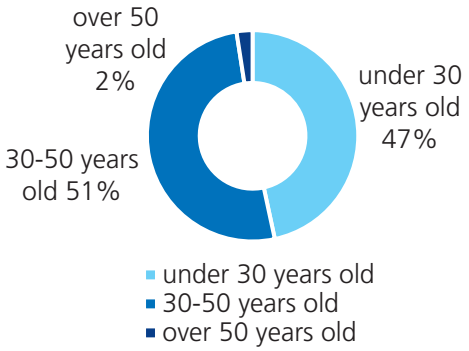
Adhering to the basic principle of "harmonious development and continuous symbiosis", we resolutely resist the recruitment of child labour and forced labour. We did not have any illegal matters related to the employment of child labour or forced labour. In 2020, we signed labour contracts with all employees.

We adhere to the principle of "equal pay for equal work and equal gender", and strive to establish an equal, diverse and international team. At the close of the reporting period, we had a total of 2,453 employees. Of this total of 2,453 personnel, 1,223 (approximately 50%) were female.

Gender distribution of employees



Age distribution of employees



Among our employees, in addition to employees from the Chinese Mainland, there are employees from United States, Canada, Malaysia, Taiwan, and other countries or regions. Foreign employees account for about 0.65% among all employees. At the same time, our team includes many colleagues from different national minorities, with 15 from Manchu, 7 from Zhuang, 6 from Mongolian, another 6 from Hui, 4 from Miao and Tujia respectively, 2 from Yi, and 1 each from Zang, Dong, Bouyei, Dai, Li, Qiang, Xibe, Gelo and Yao ethnic minorities. For employees with different nationalities, ethnicities, races, genders, religious beliefs and cultural backgrounds, we adhere to the Company's principles and treat them equally in terms of employee recruitment, compensation and benefits, promotion, dismissal and retirement.

We value employee opinions and collect employee opinions through various channels, such as employee opinion boxes and employee questionnaires. In 2020, we continued to follow the human resources partner system and equipped each employee with a human resources partner to provide feedback on various issues and demands raised by employees. In addition, we conducted a group-wide employee engagement survey for the first time. The anonymous survey was carried out online, with questions concerning company strategies, operation efficiency, executive management and employee learning and growth. After collecting employees' feedback, the human resources department laid out relevant action plans, especially on strengthening internal communication as well as IT application and systematization, and gradually implemented them in daily HR management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- *Employee Developmet*

The Measures for the Management of Employee Performance protects the relevant rights and interests of employees, and provides a clear and reasonable career path and platform for employees. In 2020, according to the Company's need for diversified business development, we updated the Measures for the Management of Employee Performance and Career Advancement for the marketing team and the market access team to further optimize the career development channel and the employee ranking system in 2021, which provides a guide and basis for employees' continuous career development. At the same time, we have established clear bonus calculation principles and formulas, which are calculated based on factors such as length of service, employee performance, and compliance performance to ensure fairness in performance management and performance returns.

We pay attention to the career development of employees. In 2020, apart from new employee training, professional knowledge and skills training and rules and regulations training, we also arranged various leadership training and soft skills training, such as training on project management, communication and presentation skills, and professional competitiveness, as well as training camp for junior and middle management. Our training covered the senior management, middle management and general staff (70.73% of the general staff and 69.14% of the senior and middle management received training). In 2020, the total training hours exceed 66,000 hours and the average training hours per person exceed 27 hours.

We also pay great attention to talent reserve for the future. In 2020, we signed school-enterprise cooperation agreement with China Pharmaceutical University and many other colleges and universities. We set up pilot classes for school-enterprise cooperation and worked with colleges and universities to build practice bases for students, and offered internship, graduation projects and out-of-school thesis defense for students of relevant majors to continuously bring new talent to the Company.

- *Health and safety*

We strictly abide by the Work Safety Law of the PRC and The Regulations of the People's Republic of China on the Prevention and Control of Occupational Diseases, and on this basis, we have formulated the Standard Operating Procedures for Work Safety Management, Standard Operating Procedures for Safety Accident Management, Emergency Plan for Safety Accidents and Standard Operating Regulations for Occupational Disease Prevention and Control Management, etc. In 2020, we revised the Work Safety Management Regulations and Production Safety Inspection and Hidden Danger Rectification Management Standard Operating Procedures to further clarify the management responsibilities of each department in safe production, the management procedure of safe production and safety accidents, and the matters requiring employee attention in production and operation activities, so as to ensure production safety in an all-round way.

We arrange medical examinations for employees every year, in order to detect abnormalities such as occupational contraindications for occupational diseases as early as possible to protect the occupational health of employees. In addition, we set up Individual Occupational Disease Surveillance File. Based on the results of occupational disease risk factor tests conducted by third parties, on-the-job employees are regularly scheduled to undergo occupational medical examinations before, during, and out of the job. Not only our employees are covered by medical and accident insurance, in 2020, for positions involving occupational pollution, we organized medical examinations for all employees. Medical examination items include but are not limited to: general examination, internal and external gynaecology, electrocardiogram, blood lipids, blood routine, urine routine, liver and kidney function, otolaryngology ophthalmology and tumor markers. For positions involving occupational pollution, corresponding medical examination terms are added to the examination to effectively protect the occupational health of all employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Visiting injured employee

In 2020, an employee from Suzhou Junmeng had a car accident on her way home from work, and was in coma for months. Our colleagues rushed to the accident site at once, called the police and sent her to the hospital before her family arrived. The Company paid several visits to the injured employee during her treatment to console her and her family, assisted them in applying for health assistance, contacted labour unions at all levels, and organized donations to help the injured employee get through the difficult time.

At the same time, in order to prevent safety accidents and effectively reduce or eliminate factors that endanger employees' occupational health, the Company formulated strict safety management mechanisms in accordance with Good Manufacturing Practice (GMP) requirements. We collected comprehensive statistics about our special equipment, established a special equipment list and a chemical risk identification list, improved management of on-site fire-fighting equipment, and strengthened management and control of contractors' construction safety. We also carried out various safety trainings such as fire protection and emergency prevention training and gas mask use training, to improve employees' safety awareness and strengthen their practical operation capabilities.

Fire and Emergency Rescue Training

In 2020, we improved management of fire-fighting equipment in relevant places and organized a fire evacuation drill on 19 November 2020 to prepare our employees for fires accidents. Through the training and simulation drill on emergency evacuation and the use of fire extinguisher and fire hose, we effectively raised the fire prevention awareness of all employees.

This training has achieved good results, showing that employees have improved their safety skills, strengthened their safety awareness, strengthened their confidence in response to various disasters, and made sufficient preparations for company operations.

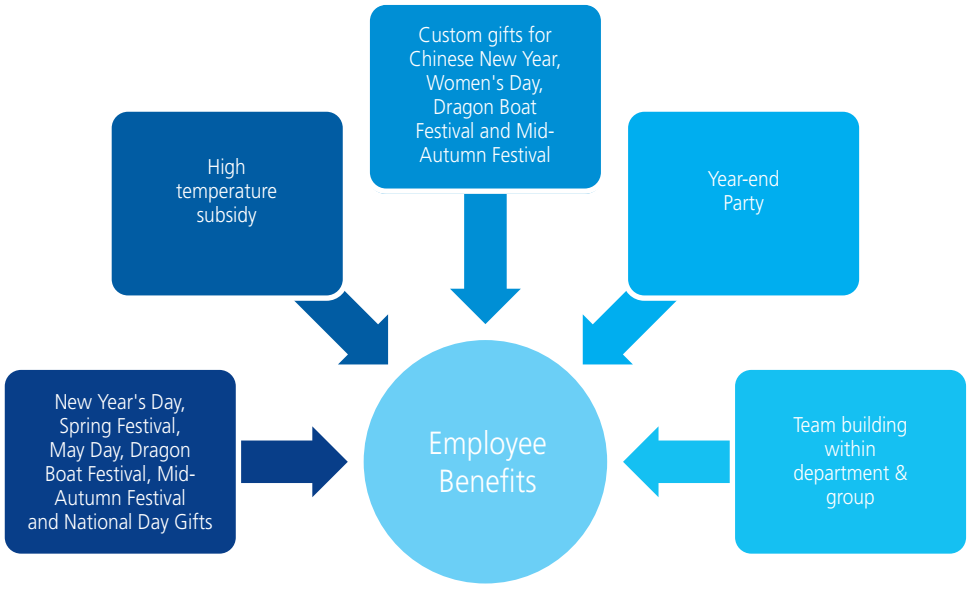
Safety training for new employees

The Company provides safety training for new employees on a regular basis, including training on company layout, evacuation plan, general safety rules, accident reporting, work permit, chemical classification and hazards, general requirements for biosafety and personal protective equipment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- *Employee Benefits*

We always value talents as the Company's core competitiveness. In The Measures for the Administration of Working Hours and Holidays, we stipulate that every employee has the right to take paid annual leave in accordance with the law, and we have set up a maternity protection clause for female employees to reduce their workload during pregnancy. In order to strengthen welfare protection for employees, we not only purchase social insurance, but also purchase additional commercial insurance. Also, we provide various fringe benefits from time to time, such as granting subsidies for holidays, hot temperature and books, and claiming the expenses for employees on health projects like COVID-19 testing. We also provide free transitional housing for three months for new graduates who come to Wujiang and Suzhou, and one month for other new employees.



Employee Benefits

We care about employees' physical and mental health as well as their quality of life. In 2020, we organized activities such as year-end party, return-to-work party, e-sports competition, chess and cards games, flea market, company sports meeting and fun marathon. These activities enrich the life of employees, provide them with an opportunity to communicate and improve and create an atmosphere of unity, continuous learning, and efficient work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Hold marathons to temper employees' willpower

On 28 November 2020, the Company held the second Staff Marathon & Wujiang Qidu Taihu Lake Half-Marathon to promote the sports spirit of unity and perseverance; demonstrate the vigor of our employees and their passion for sports; enrich their life, strengthen their physical fitness, and enhance team cohesion; as well as create a positive, healthy and lively work environment.

Employee's sports meet

In September 2020, we held the Second Employees' Sports Day to promote the Sportsmanship of unity and hard work, show the youthful demeanor and sports passion of our employees, enrich the amateur cultural life of employees, enhance physical fitness and corporate cohesion, and create a positive, healthy and lively working environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Harmonious Community

We are enthusiastic about participating in community charity activities and always believe that the development of charity activities is not only a platform for the Company to fulfil its social responsibilities, but also an important measure to build a good company image and enhance employees' pride. With the continuous development and growth of the Company, we will firmly fulfil our responsibility on social public welfare.

The first company to sign a contract with the Cancer Humanities Cooperation Group of China Cancer Foundation

In 2020, we became the first company to sign a contract with the Cancer Humanities Cooperation Group of China Cancer Foundation. In the future, we will work closely with the Cancer Humanities Cooperation Group to provide more humanistic care for hospitals and patients while exploring overcoming diseases.

Bethune•TUOYI Charity Donation

We plan and participate in community charity activities and fulfil our social responsibility actively. In 2020, we continued to participate in Bethune's charitable donation program. This project enables timely, continuous and effective treatment for patients with family difficulties or poverty, reduces the economic burden on patient's family, and brings hope to more cancer patients.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Donation to Shanghai Dream Sharing Kind Foundation

In 2020, we donated RMB100, 000 in January and RMB150, 000 in September to Shanghai Dream Sharing Kind Foundation to support new recruits' families who live in extreme difficulties and the families of soldiers disabled during wars, hoping to pass on the positive energy of supporting our soldiers and their families and create a strong atmosphere for the whole society to love our soldiers. In January 2020, the Company, together with consultants of the Foundation and representatives of the troop, paid visits to the families of soldiers who live in extreme difficulties in Jing'an District, Minhang District and Chongming District and brought them love from the big family of the society.

APPENDIX

(I). ESG REPORTING GUIDE KPIS

	Unit	Year 2020[2]	Year 2019
A1.1 The types of emissions and respective emissions data[1]			
Total NO_X emissions	Ton	**4.96**	3.82
Total SO_X emissions	Ton	**0.004**	0.002
Total air emissions	Ton	**4.96**	3.82
Intensity of the air emissions	Ton/Million turnover	**0.003**	0.005
A1.2 Greenhouse gas emissions in total			
Direct emissions (Scope 1)[3]	Ton	**5,783.59**	3,812.70
Indirect emissions (Scope 2)[4]	Ton	**23,861.66**	13,007.78
Total GHG emissions	Ton	**29,645.25**	16,820.48
Intensity of the GHG emissions (Scope 1&2)	Ton/Million turnover	**18.59**	21.70

1 The data about 2019 air emissions has been restated according to the actual situation.

2 As Junshi Biotechnology started trial production in the fourth quarter of 2019 and had trial production throughout 2020, plus the capacity rise of Suzhou Zhonghe in 2020, the consumption and emission data of all kinds of resources increased significantly compared with 2019.

3 Scope 1 GHG emissions data was calculated with reference to the default emission factors for common fossil fuels issued by the National Development and Reform Commission of the People's Republic of China.

4 Scope 2 GHG emissions data was calculated according to the average carbon dioxide emission factor of China's regional power grid issued by China National Development and Reform Commission.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Unit	Year 2020[2]	Year 2019
A1.3 Total hazardous waste produced			
Total hazardous waste emissions	Ton	**137.27**	63.65
Intensity of hazardous waste emissions	Ton/Million turnover	**0.09**	0.08
A1.4 Total non-hazardous waste produced			
Total non-hazardous waste emissions	Ton	**183.00[5]**	615.00
Intensity of the non-hazardous waste emissions	Ton/Million turnover	**0.11**	0.79
A2.1 Total energy consumption by type			
Electricity	kWh in '000s	**33,918.49**	18,490.09
Nature gas[6]	kWh in '000s	**27,660.00**	18,227.66
Total energy consumption	kWh in '000s	**61,578.49**	36,717.75
Intensity of the energy consumption	kWh in '000s/ Million turnover	**38.61**	47.37
A2.2 Water consumption			
Total consumption of water resource	Cubic meters	**303,598.00**	194,273.00
Intensity of water consumption	Cubic meters/ Million turnover	**190.36**	250.65

5 Non-hazardous waste comprises of construction waste and domestic waste. Junshi Biotechnology completed its construction project at the end of 2019, therefore its total construction waste emissions as well as total non-hazardous waste emissions in 2020 decreased significantly compared with 2019.

6 Natural gas energy consumption data was based on relevant conversion factors provided by the International Energy Agency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Unit	Year 2020[2]	Year 2019
A2.5 Packaging material used			
Inner package material (coated rubber stoppers, penicillin bottles, etc.)	Ton	**17.04**	10.95
External package material (product packaging, bottom support, etc.)	Ton	**14.39**	9.81
Total consumption of packaging material	Ton	**31.44**	20.76
Intensity of the consumption of packaging	Ton/Million turnover	**0.02**	0.03

		Year 2020	Year 2019
B1.1 Total workforce by gender, employment type, age group and geographical region			
Total number of employees		**2,453**	1,421
Gender	Male	**1,230**	738
	Female	**1,223**	683
Employment type	Full time	**2,453**	1,357
	Part-time	**0**	29
	Contractor	**0**	35
Age group	Age: ≤30	**1,144**	596
	Age: 30~50	**1,249**	759
	Age: ≥50	**60**	66
Geographical Region	Domestic	**2,437**	1,410
	Overseas	**16**	11
B1.2 Employee turnover rate by gender, employment type, age group and geographical region			
Gender	Male	**24.39%**	16.71%
	Female	**19.41%**	18.14%
Age group	Age: ≤30	**19.66%**	15.80%
	Age: 30~50	**24.60%**	19.61%
	Age: ≥50	**11.11%**	8.20%
Geographical Region	Domestic	**22.04%**	N/A
	Overseas	**7.41%**	N/A

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

		Year 2020	Year 2019
B2.1 Number and rate of work-related fatalities			
Number of work-related fatalities		**None**	None
Rate of work-related fatalities		**N/A**	N/A
B2.2 Lost days due to work injury			
Lost days due to work injury		**136**[7]	None
B3.1The percentage of employees trained by gender and employee category			
Gender	Male	**70.57%**	73.58%
	Female	**70.07%**	68.52%
Employee Category	Senior management	**53.21%**	38.00%
	Middle management	**74.51%**	50.18%
	General staff	**70.73%**	79.89%
B3.2 The average training hours completed per employee by gender and employee category[8]			
Gender	Male	**27.72**	72.69
	Female	**26.86**	68.75
Employee Category	Senior management	**15.28**	35.70
	Middle management	**18.26**	49.62
	General staff	**30.59**	80.21
B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases			None

7 In 2020, an employee from Suzhou Junmeng had a car accident on the way home from work and therefore took 136 days of work-related injury leave.

8 In 2020, due to the COVID-19 pandemic, on-site training (especially trainings of high operational demands such as those for production and quality management) could not be moved online and thus had to be cancelled, so the training hours in 2020 decreased significantly compared to 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(II). ESG REPORTING GUIDE CONTENT INDEX

Aspects	Guide No.	Chapter
A Environmental	A1 Emissions Information on： (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	VIII. Environment protection allows sustainable development 2. Emission management
	A1.1 The types of emissions and respective emissions data.	Appendix (I)
	A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix (I)
	A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix (I)
	A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix (I)
	A1.5 Description of emission target(s) set and steps taken to achieve them.	VIII. Environment protection allows sustainable development 2. Emission management
	A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	VIII. Environment protection allows sustainable development 2. Emission management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Guide No.	Chapter
	A2 Use of Resources Policies on efficient use of resources including energy, water and other raw materials.	VIII. Environment protection allows sustainable development 1.Use of resources
	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix (I)
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix (I)
	A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	VIII. Environment protection allows sustainable development 1. Use of resources
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	VIII. Environment protection allows sustainable development 1. Use of resources
	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Appendix (I)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Guide No.	Chapter
	A3 The Environment and Natural Resources Policies on minimising the issuer's significant impacts on the environment and natural resources.	VIII. Environment protection allows sustainable development 1. Use of resources
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	VIII. Environment protection allows sustainable development 1. Use of resources
	A4 Climate Change Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	VIII. Environment protection allows sustainable development 3.Extreme weather response
	A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	VIII. Environment protection allows sustainable development 3. Extreme weather response
B Social	B1 Employment Information on: (a) The Polices; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	IX. People-oriented culture provides mutually beneficial harmony 1. Employee care
	B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Appendix (I)
	B1.2 Employee turnover rate by gender, age group and geographical region	Appendix (I)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Guide No.	Chapter
	B2 Health and Safety Information on: (a) the polices; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	IX. People-oriented culture provides mutually beneficial harmony 1. Employee care
	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix (I)
	B2.2 Lost days due to work injury.	Appendix (I)
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	IX. People-oriented culture provides mutually beneficial harmony 1. Employee care
	B3 Development and Training Policies on improving employee's knowledge and skills for discharging duties at work. Description of training activities.	IX. People-oriented culture provides mutually beneficial harmony 1. Employee care
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix (I)
	B3.2 The average training hours completed per employee by gender and employee category.	Appendix (I)
	B4 Labour Standards Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	IX. People-oriented culture provides mutually beneficial harmony 1. Employee care

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Guide No.	Chapter
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	IX. People-oriented culture provides mutually beneficial harmony 1. Employee care
	B4.2 Description of steps taken to eliminate such practices when discovered.	IX. People-oriented culture provides mutually beneficial harmony 1. Employee care
	B5 Supply Chain Management Policies on managing environmental and social risks of the supply chain.	VII. Quality-first policy guarantees sustained prosperity 3. Supplier management
	B5.1 Number of suppliers by geographical region.	Undisclosed
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	VII. Quality-first policy guarantees sustained prosperity 3. Supplier management
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	VII. Quality-first policy guarantees sustained prosperity 3. Supplier management
	B5.4 Description of practices used to promote environmental preferable products and services when selecting suppliers, and how they are implemented and monitored.	VII. Quality-first policy guarantees sustained prosperity 3. Supplier management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Guide No.	Chapter
	B6 Product Responsibility Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	VII. Quality-first policy guarantees sustained prosperity 1.Quality management 2.Customer service
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Undisclosed
	B6.2 Number of products and service related complaints received and how they are dealt with.	Undisclosed
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	VI. Innovative R&D drives excellence 3. Intellectual property protection
	B6.4 Description of quality assurance process and recall procedures.	VII. Quality-first policy guarantees sustained prosperity 1.Quality management 2.Customer Service
	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	VII. Quality-first policy guarantees sustained prosperity 2.Customer service

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Guide No.	Chapter
	B7 Anti- corruption Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	V. Operation compliance ensures stable growth 1. Anti-fraud and compliance
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	V. Operation compliance ensures stable growth 1. Anti-fraud and compliance
	B7.2 Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.	V. Operation compliance ensures stable growth 1. Anti-fraud and compliance
	B7.3 Description of anti-corruption training provided to directors and staff.	V. Operation compliance ensures stable growth 2.Meeting compliance
	B8 Community Investment Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	IX. People-oriented culture provides mutually beneficial harmony 2. Harmonious community
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	IX. People-oriented culture provides mutually beneficial harmony 2. Harmonious community
	B8.2 Resources contributed (e.g. money or time) to the focus area.	IX. People-oriented culture provides mutually beneficial harmony 2. Harmonious community

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Company is an innovation-driven biopharmaceutical company dedicated to the discovery and development of innovative drugs and their clinical research and commercialization on a global scale.

As of the date of this report, the Group had developed a product pipeline comprising 30 drug candidates, including 28 innovative drugs and 2 biosimilars, covering five major therapeutic areas including malignant tumors, autoimmune diseases, chronic metabolic diseases, neurologic diseases and infectious diseases.

Details of the principal activities of the principal subsidiaries are set out in note 35 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

BUSINESS REVIEW AND RESULTS

A review of the business of the Group during the Reporting Period is provided in "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the Reporting Period using key financial performance indicators is provided in the Financial Review on pages 32 to 42 of this annual report.

The results of the Group for the Reporting Period are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 172 to 173 in the Independent Auditor's report.

FINAL DIVIDENDS

The Directors do not recommend a final dividend for the Reporting Period.

FUTURE AND OUTLOOK

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 so on. 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 improve the competitiveness of our 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.

REPORT OF THE DIRECTORS

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. The A Shares issued were ordinary shares with a nominal value of RMB1.00 each. The net price of the A Shares was RMB51.61 each.

After deducting the issuance expenses, the net proceeds raised amounted to approximately RMB4,497 million and will be mainly applied towards the R&D projects of innovative drugs, the Junshi Biotechnology Industrialization Lingang Project and repayment of bank loans and replenishment of liquidity. For further details of the use of proceeds, see "—Use of Proceeds from Listing — Use of Proceeds from The STAR Market Listing" below.

The subscribers of the A Shares included strategic investors and qualified investors who maintain A Shares securities account with the Shanghai Stock Exchange. 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. For further details, see "—Connected Transactions — Strategic Allotment to the Collective Management Plan in the STAR Market Listing" below.

The Company's domestic shares were previously listed on the NEEQ. The Company considered that the listing on the STAR Market would be beneficial to the Company and its Shareholders as a whole, and would allow the Company to access a more established platform in the PRC capital market, as the Shanghai Stock Exchange will help the Company to further enhance its corporate image, future prospects and corporate governance.

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.

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.

REPORT OF THE DIRECTORS

SUBSEQUENT EVENTS

Subsequent to the end of the Reporting Period:

Our products achieved the following progress:

- Toripalimab Injection (code: JS001, trade name: 拓益®(TUOYI®))
  - In February 2021, toripalimab received a second supplemental NDA approval from the NMPA for the treatment of patients with recurrent or metastatic nasopharyngeal carcinoma after failure of at least two lines of prior systemic therapy.
  - In February 2021, the supplemental NDA of toripalimab in combination with chemotherapy for the first-line treatment of patients with advanced, recurrent or metastatic nasopharyngeal carcinoma was accepted by the NMPA.
  - In March 2021, we officially initiated the rolling submission of BLA for toripalimab with the FDA for the treatment of recurrent or metastatic nasopharyngeal carcinoma and obtained a rolling review by the FDA. Toripalimab has become the first domestic anti-PD-1 monoclonal antibody to submit a BLA to the FDA.
  - In March 2021, toripalimab has been included in the Drug List of the Procedure for Breakthrough Therapy Designation for the first-line treatment of advanced mucosal melanoma by the NMPA.
- Pegylated uricase derivative (code: JS103)
  - In March 2021, we received the Acceptance Notice issued by the NMPA, and the clinical trial application of JS103 injection was accepted.
- Recombinant humanized anti-TIGIT monoclonal antibody injection (code: TAB006/JS006)
  - The clinical trial for TAB006/JS006 was approved by the NMPA in January 2021. In February 2021, TAB006/JS006 obtained the clinical trial approval from the FDA for the treatment of advanced malignant tumors in the United States. The Company will conduct clinical trials of TAB006/JS006 in China and the United States soon in accordance with relevant regulations.
- PD-1/TGF-ß bifunctional fusion protein (code: JS201)
  - In February 2021, we received the Acceptance Notice issued by the NMPA, and the clinical trial application of JS201 was accepted. As of the date of this report, there is no product with similar targets approved for marketing domestically and overseas.

REPORT OF THE DIRECTORS

- Etesevimab (code: JS016/LY-CoV016)

  — In February 2021, the FDA granted Lilly, our partner, the Emergency Use Authorization for investigational etesevimab 1,400 mg and bamlanivimab 700 mg together, for the treatment of mild to moderate COVID-19 in patients who were at high risk for progressing to severe COVID-19 and/or hospitalization.

We also entered into license and commercial cooperation agreements with several well-established pharmaceutical companies, including:

— In February 2021, we commenced commercial cooperation with AstraZeneca Pharmaceutical. We granted AstraZeneca Pharmaceutical the exclusive promotion right of TUOYI® for the urinary cancer indications to be approved subsequently for marketing in mainland China and the exclusive promotion right for all indications approved and to be approved in non-core urban areas. We will continue to be responsible for the promoting of indications approved and to be approved excluding urinary cancer indications in core urban areas. The cooperation is conducive to the continuous promotion of the commercialization of TUOYI® in China, and expansion of coverage of TUOYI® in hospitals and pharmacies among all tiers of cities, thereby promoting more Chinese patients to benefit from the local high-quality innovative drug.

— We reached an exclusive license and commercialization agreement with Coherus on the development and commercialization of our self-developed toripalimab in the United States and Canada. According to the terms of the agreement, we will grant Coherus a license for toripalimab in the United States and Canada. In addition, we will grant Coherus options to JS006 (an anti-TIGIT monoclonal antibody) and JS018-1 (a next-generation improved IL-2 cytokine drugs), and the right of first negotiation for 2 early-stage checkpoint inhibitor antibody drugs. In consideration for this, we may receive an upfront fee, exercise payment (if Coherus exercises its options) and milestone payments of up to US$1.11 billion in aggregate, together with royalties of 20% of the annual net sales of toripalimab products in the licensed areas. In the licensed areas, we will co-develop toripalimab with Coherus, with Coherus being responsible for all commercial activities in the United States and Canada.

In February 2021, the Company's A Shares and H Shares were included in the Shanghai-Hong Kong Stock Connect. Hang Seng Indexes Company Limited announced the inclusion of the Company's H Shares (1877.HK) in the Hang Seng Composite Index, the Hang Seng SmallCap Index, the Hang Seng Healthcare Index, the Hang Seng Stock Connect Hong Kong Index and the Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index. The Company's A Shares (688180.SH) were included in the STAR 50 index by the Shanghai Stock Exchange and China Securities Index Co., Ltd. with effect from 15 March 2021.

Further details of such subsequent events material to the Group are set out in "Management Discussion and Analysis" of this Report.

The other material subsequent events are disclosed in note 40 to the consolidated financial statements in this annual report.

REPORT OF THE DIRECTORS

USE OF PROCEEDS FROM LISTING

Use of Proceeds from The H Share Listing

The total proceeds from the issue of new H Shares by the Company in its H Share Listing (after deducting the underwriting fees and related listing expenses) amounted to approximately RMB3,003 million and the balance of unutilized net proceeds was approximately RMB107 million as at 31 December 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 "**2019 Announcement**") and 28 August 2020 regarding the changes in use of proceeds from the H Share Listing.

Planned Usage	Planned use of proceeds as disclosed in the Prospectus RMB'000	% of total 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 proceeds	Planned use of proceeds as disclosed in the 2020 Interim Report (including amount already utilized as at 30 June 2020) RMB'000	% of total proceeds	Utilized Proceeds as at 31 December 2020 RMB'000	Unutilized Proceeds as at 31 December 2020 RMB'000	Expected timeline for application of the Unutilized Proceeds (Note 3)
The R&D and commercialization of the Group's drug candidates	1,952,203	65%	2,162,440	72%	**2,372,677**	**79%**	**2,270,018**	**102,659**	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%	**1,291,457**	**43%**	**1,247,302**	**44,155**	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%	**600,678**	**20%**	**553,596**	**47,082**	Expected to be fully utilized by 31 December 2021
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%	**480,542**	**16%**	**469,120**	**11,422**	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%	**330,373**	**11%**	**325,802**	**4,571**	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%	**300,339** (Note 2)	**10%**	**334,545** (Note 2)	**71**	Expected to be fully utilized by 31 December 2021
	3,003,389	100%	3,003,389	100%	**3,003,389**	**100%**	**2,930,365** (Note 2)	**107,301**	

REPORT OF THE DIRECTORS

Notes:

1. As disclosed in the 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. The sum of proceeds includes interests of RMB34 million generated from bank savings accounts in which the IPO proceeds have been deposited.

3. 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.

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

Use of Proceeds from The STAR Market Listing

As approved by the CSRC (Zheng Jian Xu Ke [2020] No. 940) (證監許可[2020] 940號文), the Company issued 87,130,000 new ordinary shares (A shares) to the public in a public offering in July 2020 at the issue price of RMB55.50 per A Share. The gross proceeds amounted to RMB4,836 million. Net of issuance expenses of RMB339 million in accordance with the related requirements, the actual net proceeds amounted to RMB4,497 million. The net proceeds from the listing of A Shares have been used and will be used in accordance with the uses disclosed in the Company's A share prospectus dated 22 June 2020.

	Planned use of proceeds RMB' 000	**Utilized proceeds as at 31 December 2020 RMB' 000**	**Unutilized proceeds as at 31 December 2020 RMB' 000**	**Expected timeline for application of the unutilized proceeds**
Committed investment projects				
Research and development projects of innovative drugs	1,200,000	**474,780**	**725,220**	Expected to be fully utilized by 31 December 2023
Junshi Biotechnology Industrialization Lingang Project	700,000	**700,000**	**–**	Was fully utilized by 31 December 2020
Repayment of bank loans and replenishment of liquidity	800,000	**529,267**	**270,733**	Expected to be fully utilized by 31 December 2023
Surplus proceeds	1,796,978	**362,239**	**1,434,739**	Expected to be fully utilized by 31 December 2023
Total	4,496,978	**2,066,286**	**2,430,692**	

REPORT OF THE DIRECTORS

RESEARCH AND DEVELOPMENT ACTIVITIES OF CORE PRODUCTS

JS001 (toripalimab, anti-PD-1 mAb, trade name: 拓益(TUOYI®))

Further details of the development of toripalimab (JS001), the Company's core product, are set out in "Management Discussion and Analysis" of this annual report.

INDUSTRY COMPETITION LANDSCAPE AND DEVELOPMENT TREND

For details on the industry competition landscape and development trend, please refer to "Industry Competition Landscape and Development Trend" in "Management Discussion and Analysis" of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The following are certain principal risks and uncertainties identified by the Group:

1. Risks Related to Profitability

As at the end of the Reporting Period, the Company has not yet achieved profitability. A long profit cycle is one of the most salient features of the biopharmaceutical industry. It typically takes a long time for a biopharmaceutical company at the R&D stage to grow before it becomes profitable. As an innovative biopharmaceutical business, the Company is currently in an important R&D investment phase, and our R&D investment is expected to increase significantly and consistently in line with the expansion of R&D pipeline and acceleration of domestic and overseas drug clinical trial activities. Our future profitability depends on how fast the drugs currently in development will be released and post-launch sales. On the other hand, heavy R&D investments and high marketing and operating costs will add uncertainties to the Company's profitability. Therefore, the Company is exposed to the risk of short-term unprofitability.

Toripalimab, the first commercialized product of the Company, has officially commenced sales since 2019. With the inclusion of toripalimab into the latest National Reimbursement Drug List, successive completion of registered clinical trials for more indications of toripalimab and the accelerated development of other drug candidates, the variety of indications and more commercialized products will further improve the Company's financial position and help create the conditions for the Company to turn around as soon as possible.

2. Risks Related to Sharp Decline in Performance or Loss

In 2020, the Company was still recording net loss attributable to owners of the Company, mainly because the operating income of the Company was not yet sufficient to fully cover R&D expenses in research projects and reserve R&D projects. During the Reporting Period, the Company's R&D expenses were approximately RMB1,778 million, representing a year-on-year increase of 88% compared to last year. The Company continuously enriched its product pipeline, explored the combination therapy of drugs, as well as accelerated the development of existing clinical projects and reserve R&D projects during the Reporting Period, leading to continuous growth of R&D expenses of the Company.

The Company reserved a number of research projects that are in the early pre-clinical research stage. In the future, the Company will continue to make substantial investment in R&D for the completion of pre-clinical research, clinical trials and NDA preparation of research projects and other product pipeline R&D. Besides, the Company's NDA, marketing of new drugs and other aspects will also incur high costs, which may cause a further increase in loss of the Company, thereby adversely affecting the Company's daily operations and financial position. During the Reporting Period, there was no material adverse changes in the principal business and core competitiveness of the Company.

REPORT OF THE DIRECTORS

3. Risks Related to Core Competence

Classified as technical innovation, the R&D of new drugs is characterized by long R&D cycles, significant investment, high risks and low success rate. From laboratory research to obtaining approval, new drugs go through a lengthy process with complicated stages, including preclinical study, clinical trial, registration and marketing of new drugs and aftersales supervision. Any of the above stages is subject to the risk of failure. The Company will strengthen our forward-looking strategic research, and determine the direction of new drug R&D according to the needs of clinical drug use. The Company will also formulate reasonable new drug technology solutions, continuously increase the investment in R&D of new drugs, and launch R&D projects for new drugs with prudence. In particular, the Company implements phase-based assessment on drug candidates in the course of R&D. If it is found that the expected result cannot be achieved, the subsequent R&D of such product will be terminated at once, so as to minimize the R&D risks of new drugs.

Among the six anti-PD-1 monoclonal antibodies that have been approved for sales in China, four domestic anti-PD-1 monoclonal antibodies, including the Company's toripalimab, have all been included in the National Reimbursement Drug List upon negotiations. In the future, the Company will face fierce market competition in terms of market share, market promotion and access to distribution.

4. Risks Related to Operations

The Company's business operations require certain R&D technical services and raw materials supply. Currently, the relationship between the Company and existing suppliers are stable. If the price of R&D technical services or raw materials rises sharply, the Company's profitability may be adversely affected. At the same time, the Company's suppliers may not be able to keep up with the rapid development of the Company, and there is a possibility of reducing or terminating the supply of the Company's R&D services and raw materials. If such R&D technical services or the supply of raw materials are disrupted, the Company's business operations may be adversely affected. Also, the Company's raw materials are mainly imported, directly or indirectly. If there are significant changes in the international trade situation, it may have a certain impact on the Company's production and operation.

The adjustment to the 2020 National Reimbursement Drug List has been completed. The Company's core product Toripalimab Injection has been included in Category B in the revised National Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2020 Edition), and is the only anti-PD-1 monoclonal antibody used in the treatment of melanoma in the revised National Reimbursement Drug List. The price drop after the inclusion into the drug list can effectively improve the accessibility and affordability of the Company's products, which is conducive to a significant increase in the sales of toripalimab. However, if the increase in sales is less than expected, it may adversely affect the Company's revenue.

REPORT OF THE DIRECTORS

5. Risks Related to the Industry

In view of the constant reforms in the medical and health system, the establishment of the new National Healthcare Security Administration, the implementation of a series of policies such as control on medical insurance fees, publication of the revised National Essential Medicine List, consistency evaluation, reform in drug approval, compliance regulations, the commencement of centralized procurement of "4+7" drugs on a trial basis and "zero tariff" on imported drugs, encouragement of innovation and reduction in drug prices by pharmaceutical enterprises have become a general trend, and the industry landscape is facing changes. If the Company fails to keep up with industry trends and continues to innovate in the future, or if there are adverse changes in related industrial policies, the Company's development may be negatively affected.

The Company always takes "innovation" as our goal of development. Except for UBP1211 and JS501 which are biosimilars, the other 28 drug candidates are all innovative drugs. In response to the above-mentioned industry and policy risks, the Company will adapt to changes in external policies, continue to improve our innovation capabilities and our ability to continuously develop new products, increase our R&D investments, accelerate the process of innovative drugs entering clinical trial and the market, and respond to challenges with innovation. On this basis, the Company will further expand our production capacity, and reduce the unit cost of our products while maintaining the quality of drugs produced, so as to address the possible price reduction of drugs in future. At the same time, we will adhere to compliance with the laws and regulations and adapt our business operations to changes in regulatory policies, so as to prevent policy risks.

6. Risks Related to the Macro Environment

In the first quarter of 2020, the global outbreak of the COVID-19 pandemic adversely affected the normal operation of every industry. Although the Company's major business operations are not at the center of the pandemic, and toripalimab, which has been approved for marketing, is not a type of drug directly affected by the pandemic, the progress of the Company's clinical trial projects has been delayed to a certain extent, and the R&D and commercialization of toripalimab, our core product, is affected to some extent due to the factors such as healthcare resources tilting towards the prevention and control of COVID-19, the need for prevention and control of the pandemic, and the public anxiety about the pandemic.

Future changes in the international political, economic and market environment, especially the uncertainty of China-US trade relations, and the resulting additional tariffs or other restrictions that China and the United States may impose on cross-border technology transfer, investment and trade, may cause certain adverse effects on the Company's overseas business operations.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period,

(i) the Group's largest supplier accounted for 11.56% (2019: 10.04%) of its total purchases, and the five largest suppliers accounted for 34.45% of its total purchases (2019: 33.40%); and

(ii) the Group's largest customer accounted for 33.45% (2019: 20.99%) of its total revenue and the Group's five largest customers accounted for 79.89% (2019: 64.40%) of its total revenue.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

Details of the major subsidiaries of the Company as of 31 December 2020 are set out in note 35 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 30 to the consolidated financial statements.

As of 31 December 2020, 872,496,000 Shares were in issue (comprising 689,749,500 A Shares and 182,746,500 H Shares).

As disclosed in "—Issue of A Shares and Listing on the STAR Market of the Shanghai Stock Exchange" above, the Company issued 87,130,000 new A Shares in its STAR Market Listing on 15 July 2020.

The Company has granted certain Pre-IPO Options (which may be satisfied by issue of new A Shares or acquisition of existing A Shares). On 2 November 2020, the Company issued 1,219,500 new A Shares pursuant to the exercise of the Pre-IPO Options by eligible employees during the first exercise period pursuant to the 2018 Pre-IPO Share Incentive Scheme. See "—2018 Pre-IPO Share Incentive Scheme" below.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity to the consolidated financial statement.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company did not have any distributable reserves.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 December 2020 are set out in note 25 to the consolidated financial statements.

REPORT OF THE DIRECTORS

2018 PRE-IPO SHARE INCENTIVE SCHEME AND SHARE INCENTIVE AGREEMENTS

The Company's 2018 Pre-IPO 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 2018 Pre-IPO 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.

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 2018 Pre-IPO Share Incentive Scheme.

The purpose of the 2018 Pre-IPO Share Incentive Scheme is to attract, retain and motivate the Group's employees, to align the interests of the Directors, 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 2018 Pre-IPO 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 2018 Pre-IPO Share Incentive Scheme. Except for the Directors of the Company, all other Grantees under the 2018 Pre-IPO 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 2018 Pre-IPO 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 2018 Pre-IPO 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 2018 Pre-IPO Share Incentive Scheme and the relevant matters;

REPORT OF THE DIRECTORS

(c) the validity period of the 2018 Pre-IPO 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 (i.e. 14 December 2022);

(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 2018 Pre-IPO 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 2018 Pre-IPO Share Incentive Scheme to the employees;

(f) subject to the fulfillment of the exercise conditions stipulated in the 2018 Pre-IPO 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 exercise 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 2018 Pre-IPO Share Incentive Scheme.

REPORT OF THE DIRECTORS

Movement of Pre-IPO Options during the Reporting Period

On 28 August 2020, the Board of Directors resolved that the conditions for the exercise of Pre-IPO Options for the first exercise period under the 2018 Pre-IPO Share Incentive Scheme have been fulfilled. A total of 203 Grantees exercised 1,219,500 Pre-IPO Options at the exercise price of RMB9.2 per A share for the first exercise period, and on 2 November 2020, the Company issued 1,219,500 new A Shares (representing approximately 0.14% of the Company's issued share capital as at 31 December 2020) to such Grantees pursuant to the exercise of Pre-IPO Options granted under the 2018 Pre-IPO Share Incentive Scheme. The Company received from the said 203 Grantees a total amount of RMB11,219,400, of which RMB1,219,500 was contributed towards the paid-in share capital and RMB9,999,900 were contributed towards the capital reserve of the Company. The said A Shares issued to the Grantees upon the exercise under the Pre-IPO Options may be listed for trading on the STAR Market upon expiry of three years from the date of the exercise. Further details of the exercise of the Pre-IPO Options for the first exercise period under the 2018 Pre-IPO Share Incentive Scheme are set out in the Company's overseas regulatory announcements dated 28 August 2020 and 2 November 2020.

As at 31 December 2020, 3,666,700 Pre-IPO Options were outstanding, entitling 204 Grantees to subscribe for an aggregate of 3,666,700 A Shares (representing approximately 0.42% of the Company's issued share capital as at 31 December 2020). Since the grant of Pre-IPO Options in March 2018, Pre-IPO Options in respect of 1,136,800 A Shares were granted to Grantees who had already left the Group or waived their exercise but still work in the Group, thus a total of 1,136,800 Pre-IPO Options had lapsed following cessation of their employment or their waiver of exercise.

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 31 December 2020	Exercise Period[1]	Exercise Price (per A Share)
Chen Yingge (Secretary of the Board and member of senior management of the Company)	10,000	–	2,500	–	–	7,500	12 March 2019 – 14 December 2022	RMB9.2
Other employees	5,203,000	–	1,217,000	–	326,800	3,659,200	12 March 2019 – 14 December 2022	RMB9.2
Total	5,213,000	–	1,219,500	–	326,800	3,666,700		

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.

REPORT OF THE DIRECTORS

Potential Dilution Effect

For the following financial year ending 31 December 2021, in the event that the Grantees exercise the Pre-IPO Options in full on the vesting date in the year ending 31 December 2021 and the Company elects to satisfy the Pre-IPO Options by issuing new A Shares, the potential dilution effect on the Company's share capital will be as follows:

As at	Number of Pre-IPO Options that may be exercised by 31 December 2021	Number of new A Shares that may be issued upon exercise of these Pre-IPO Options	Approximate percentage of issued share capital of the Company enlarged by issuing A Shares upon exercise of such Pre-IPO Options
31 December 2021	3,666,700	3,666,700	0.42%

Note: Assuming that the registered capital of the Company remains unchanged, the Company does not issue any new Shares (other than for the satisfaction of Pre-IPO Options) or securities or right to subscribe for Shares, all Pre-IPO Options are satisfied by the Company by way of allotment of new A Shares, none of the Grantees cease to be eligible under the 2018 Share Incentive Scheme and Share Incentive Agreements, and the terms of the 2018 Pre-IPO Share Incentive Scheme and Share Incentive Agreements remain unchanged.

Movement of the Pre-IPO Options and the relevant share-based payment expenses for the Reporting Period are set out in note 32 to the consolidated financial statements.

Further details of the 2018 Pre-IPO Share Incentive Scheme and the Share Incentive Agreements are set out in the Prospectus.

2020 RESTRICTED A SHARE INCENTIVE SCHEME

On 29 September 2020, the Board of Directors resolved to adopt the 2020 Restricted A Share Incentive Scheme. The 2020 Restricted A Share Incentive Scheme was approved and adopted by its Shareholders at the 2020 third extraordinary general meeting, the 2020 second class meeting of A Shareholders and the 2020 second class meeting of H Shareholders held on 16 November 2020.

The purpose of the 2020 Restricted A Share Incentive Scheme is to further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's management personnel, core technical personnel and other personnel, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the shareholders, the Company and the core staff members, bring their attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realized. A summary of the 2020 Restricted A Share Incentive Scheme is set out below:

(a) The participants of the 2020 Restricted A Share Incentive Scheme include Directors, members of the senior management, core technical staff and other persons (who are all employees of the Group) considered by the Board (excluding the Independent Non-executive Directors and Supervisors) to be required to be incentivized of the Group. The list of Participants will be prepared by the Remuneration and Appraisal Committee and verified by the Board of Supervisors.

REPORT OF THE DIRECTORS

(b) In the first grant of Restricted Shares under the 2020 Restricted A Share Incentive Scheme (the "**First Grant**") on 16 November 2020, 28,519,000 Restricted Shares were granted to 1,933 participants (including participants who were connected persons of the Company (the "**Connected Participants**")).

(c) The participants for the reserved grant of Restricted Shares under the 2020 Restricted A Share Incentive Scheme (the "**Reserved Grant**") shall be determined within 12 months after the scheme was considered and approved at the 2020 third extraordinary general meeting, the 2020 second class meeting of A Shareholders and the 2020 second class meeting of H Shareholders held on 16 November 2020. The Reserved Grant shall lapse if the participants cannot be determined within the 12-month period. The basis for determining the participants for the Reserved Grant shall be the same as the basis for determining the participants for the First Grant.

(d) The total number of Restricted Shares to be granted under the 2020 Restricted A Share Incentive Scheme will be not more than 35,648,000 A Shares (representing approximately 5.17% of the total number of issued A Shares and approximately 4.09% of the total issued share capital of the Company as at the date of this annual report) (subject to adjustment to the number of the Restricted Shares and/or the grant price upon occurrence of certain corporate actions of the Company according to the 2020 Restricted A Share Incentive Scheme ("**Adjustment**")). Amongst the total number of Restricted Shares, not more than 7,129,000 A Shares, representing approximately 20% of the total number of Restricted Shares, will be reserved for the Reserved Grant (subject to Adjustment). The source of all Restricted Shares under the scheme will be new ordinary A Shares to be issued by the Company to the participants.

(e) The total number of Shares to be granted to any participant under all share incentive schemes of the Company which are within their validity period shall not exceed 1% of the total share capital of the Company.

(f) The 2020 Restricted A Share Incentive Scheme became effective upon the grant date of the First Grant (i.e. 16 November 2020), and shall be valid until the date on which all Restricted Shares have been attributed or lapsed, such period shall not exceed 48 months.

(g) Subject to the attribution conditions having been fulfilled, the Restricted Shares may be attributed to the participants (for the First Grant) in three tranches and (for the Reserved Grant) in two tranches.

Attribution arrangements of the First Grant are as follows: (1) the first tranche (40% of the Restricted Shares granted) can be attributed from the first trading day after the expiry of 12 months following the grant date of the First Grant until the last trading day within the 24 months following the grant date of the First Grant; (2) the second tranche (30% of the Restricted Shares granted) can be attributed from the first trading day after the expiry of 24 months following the grant date of the First Grant until the last trading day within the 36 months following the grant date of the First Grant; and (3) the third tranche (30% of the Restricted Shares granted) can be attributed from the first trading day after the expiry of 36 months following the grant date of the First Grant until the last trading day within the 48 months following the grant date of the First Grant.

REPORT OF THE DIRECTORS

Attribution arrangements of the Reserved Grant are as follows: (1) the first tranche (50% of the Restricted Shares granted) can be attributed from the first trading day after the expiry of 12 months following the grant date of the Reserved Grant until the last trading day within the 24 months following the grant date of the Reserved Grant; and (2) the second tranche (50% of the Restricted Shares granted) can be attributed from the first trading day after the expiry of 24 months following the grant date of the Reserved Grant until the last trading day within the 36 months following the grant date of the Reserved Grant.

Those Restricted Shares not being attributed to the participants during the period of their respective tranches as a result of failure to fulfil the attribution conditions are not allowed to be attributed or deferred to be attributed in the next attribution period(s), and they shall lapse according to the provisions under the scheme.

(h) The grant price of the First Grant was RMB55.50 per A Share (subject to Adjustment). A participant who has satisfied the conditions for grant and attribution may purchase new A Shares issued by the Company at such grant price. The grant price of the Reserved Grant shall be the same as the Grant Price of the First Grant, i.e. RMB55.50 per A Share (subject to Adjustment).

Pursuant to the STAR Market Listing Rules and the Management Measures for Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》), the grant price shall not be lower than the nominal value of each share of the Company and in principle should not be lower than the higher of the following prices: (i) 50% of the average trading price of the A Shares for the date of the A Share announcement of the draft 2020 Restricted A Share Incentive Scheme (i.e. 29 September 2020), being RMB85.46 per A Share; and (ii) 50% of any one of the average trading price of the A Shares for the 20 trading days, being RMB90.25 per A Share, 60 trading days or 120 trading days immediately preceding the said announcement.

The grant price was determined based on the issue price of the A Shares in the Company's STAR Market Listing on 15 July 2020, being RMB55.50 per A Share. This was also determined with a view to stabilize talents and effectively incentivize employees under different cycles and business environments which may allow the Company to gain advantage in the competitive industry that it operates in. The Board has also taken into consideration the level of difficulty of the performance targets which participants must achieve for the Restricted Share(s) to be attributed, and considers that this is in balance with the substantial discount in the grant price.

(i) The Restricted Shares may only be granted and attributed upon satisfaction of the relevant conditions stipulated in the 2020 Restricted A Share Incentive Scheme.

(j) The requirements of black-out for the Restricted Shares are implemented in accordance with relevant laws, administrative regulations and regulatory documents including the PRC Company Law and the PRC Securities Law, and the Articles of Association.

REPORT OF THE DIRECTORS

As of 31 December 2020, 28,519,000 Restricted Shares under the First Grant were granted on 16 November 2020. No Restricted Shares under the Reserved Grant has been granted. Details of the movements of the Restricted Shares during the Reporting Period are as follows:

	Number of Restricted Shares					
Participant First Grant[3]	**Granted on 16 November 2020[1]**	**Attributed**	**Lapsed**	**Cancelled**	**On 31 December 2020**	**Attribution period[2]**
Directors, members of the senior management and core technical staff						
Xiong Jun (Executive Director, Chairman and Legal Representative)[5]	820,000	–	–	–	820,000	16 November 2021 – 15 November 2024
Li Ning (Executive Director, Chief Executive Officer and General Manager)[5]	1,560,000	–	–	–	1,560,000	16 November 2021 – 15 November 2024
Feng Hui (Executive Director, core technical staff)[5]	820,000	–	–	–	820,000	16 November 2021 – 15 November 2024
Yao Sheng (Executive Director, Deputy General Manager, core technical staff)[5]	2,000,000	–	–	–	2,000,000	16 November 2021 – 15 November 2024
Zhang Zhuobing (Executive Director, Deputy General Manager, core technical staff)[5]	820,000	–	–	–	820,000	16 November 2021 – 15 November 2024
Wang Gang (Deputy General Manager)	270,000	–	–	–	270,000	16 November 2021 – 15 November 2024
Duan Xin (Deputy General Manager)	360,000	–	–	–	360,000	16 November 2021 – 15 November 2024
Yin Kan (Deputy General Manager)	300,000	–	–	–	300,000	16 November 2021 – 15 November 2024
Xie Wan (Deputy General Manager)	300,000	–	–	–	300,000	16 November 2021 – 15 November 2024
Ma Jun (Deputy General Manager)	150,000	–	–	–	150,000	16 November 2021 – 15 November 2024
Yuan Lu (Assistant to the General Manager, Head of Internal Audit Department)	80,000	–	–	–	80,000	16 November 2021 – 15 November 2024
Xu Baohong (Financial Director)	80,000	–	–	–	80,000	16 November 2021 – 15 November 2024
Chen Yingge (Secretary of the Board of Directors)	80,000	–	–	–	80,000	16 November 2021 – 15 November 2024

REPORT OF THE DIRECTORS

Participant First Grant[3]	Number of Restricted Shares Granted on 16 November 2020[1]	Attributed	Lapsed	Cancelled	On 31 December 2020	Attribution period[2]
Other Empolyees						
Wang Shixu (Financial manager of Junshi Biotechnology)[6]	30,000	–	–	–	30,000	16 November 2021 – 15 November 2024
Other employees of the Company considered required to be incentivized by the Board of Directors (1,919 Participants in total)	20,849,000	–	–	–	20,849,000	16 November 2021 – 15 November 2024
Total	28,519,000	–	–	–	28,519,000	16 November 2021 – 15 November 2024

Notes:

(1) The grant of Restricted Shares under the First Grant was made on 16 November 2020.

(2) Attribution arrangements of the First Grant are as follows: (1) the first tranche (40% of the Restricted Shares granted) can be attributed from the first trading day after the expiry of 12 months following the grant date of the First Grant until the last trading day within the 24 months following the grant date of the First Grant; (2) the second tranche (30% of the Restricted Shares granted) can be attributed from the first trading day after the expiry of 24 months following the grant date of the First Grant until the last trading day within the 36 months following the grant date of the First Grant; and (3) the third tranche (30% of the Restricted Shares granted) can be attributed from the first trading day after the expiry of 36 months following the grant date of the First Grant until the last trading day within the 48 months following the grant date of the First Grant.

Attribution arrangements of the Reserved Grant are as follows: (1) the first tranche (50% of the Restricted Shares granted) can be attributed from the first trading day after the expiry of 12 months following the grant date of the Reserved Grant until the last trading day within the 24 months following the grant date of the Reserved Grant; and (2) the second tranche (50% of the Restricted Shares granted) can be attributed from the first trading day after the expiry of 24 months following the grant date of the Reserved Grant until the last trading day within the 36 months following the grant date of the Reserved Grant.

(3) 7,129,000 Restricted Shares are reserved under the Reserved Grant.

(4) The grant price is RMB55.50 per A Share (subject to Adjustment).

(5) Mr. Xiong Jun, Dr. Li Ning, Dr. Feng Hui, Dr. Yao Sheng and Mr. Zhang Zhuobing are executive Directors and therefore Connected Participants under Chapter 14A of the Hong Kong Listing Rules.

(6) Ms. Wang Shixu is an associate of Dr. Wu Hai, a non-executive Director, and hence a Connected Participant under Chapter 14A of the Hong Kong Listing Rules.

(7) The number of the Restricted Shares is subject to Adjustment.

Movement of the Restricted Shares and the relevant share-based payment expenses for the Reporting Period are set out in note 32 to the consolidated financial statements.

Further details of the 2020 Restricted A Share Incentive Scheme and First Grant are set out in the Company's circular dated 22 October 2020 and announcement dated 16 November 2020.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

Other than the Share Incentive Agreements and the grant of the Restricted Shares under the 2020 Restricted A Share Incentive Scheme as detailed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Reporting Period or subsisted at the end of the Reporting Period.

DIRECTORS' AND SUPERVISORS' BIOGRAPHICAL DETAILS

The Directors and Supervisors of the Company during the Reporting Period and up to the date of this annual report were:

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. Yao Sheng

Non-executive Directors
Dr. Wu Hai (re-designated from an executive Director to a non-executive Director on 14 October 2020)
Mr. Tang Yi
Mr. Li Cong
Mr. Yi Qingqing
Mr. Lin Lijun

Independent Non-executive Directors
Dr. Chen Lieping
Mr. Qian Zhi
Mr. Zhang Chun (appointed on 19 June 2020)
Dr. Jiang Hualiang (appointed on 16 November 2020)
Dr. Roy Steven Herbst
Dr. He Jia (resigned with effect from 19 June 2020)
Mr. Chen Xinjun (resigned with effect from 16 November 2020)

Supervisors
Mr. Wu Yu (Chairman of the Board of Supervisors)
Ms. Wang Pingping
Mr. Liu Jun
Ms. Li Ruolin
Mr. Fu Cexiong (appointed on 16 November 2020)
Ms. Nie Anna (resigned on 16 November 2020)

See "Directors, Supervisors and Senior Management" of this annual report for biographical details of Directors, Supervisors and senior management of the Company. Save as disclosed in that section, up to the date of this report, there were no changes to information which are required to be disclosed by Directors and Supervisors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

REPORT OF THE DIRECTORS

RE-ELECTION OF DIRECTORS AND SUPERVISORS

The service term of the second session of the Board of Directors and the second session of the Board of Supervisors of the Company will expire at the conclusion of the forthcoming 2020 AGM. On 30 March 2021, the Nomination Committee nominated all members of the second session of the Board of Directors of the Company (namely, Mr. Xiong Jun, Dr. Li Ning, Dr. Feng Hui, Mr. Zhang Zhuobing and Dr. Yao Sheng, who are the Executive Directors, Dr. Wu Hai, Mr. Tang Yi, Mr. Li Cong, Mr. Yi Qingqing and Mr. Lin Lijun, who are the Non-executive Directors, and Dr. Chen Lieping, Mr. Qian Zhi, Mr. Zhang Chun, Dr. Jiang Hualiang and Dr. Roy Steven Herbst, who are the Independent Non-executive Directors) to the Board for it to recommend to the Shareholders for re-election at the forthcoming 2020 AGM. The nominations were made in accordance with the Company's terms of reference of the Nomination Committee and the Board Diversity Policy. Each of Dr. Jiang Hualiang (Chairman of the Nomination Committee), Mr. Xiong Jun and Mr. Qian Zhi, who are members of the Nomination Committee, abstained from voting at the Nomination Committee meeting in respect of his own nomination. On 30 March 2021, the second session of the Board of Supervisors of the Company nominated Mr. Wu Yu and Ms. Wang Pingping to the Shareholders for re-election at the forthcoming 2020 AGM as non-employee representative Supervisors of the third session of the Board of Supervisors. The employee representative Supervisor of the third session of the Board of Supervisors will be elected at the employee representatives meeting to be held.

Service Agreement

Each of the Directors and Supervisors has (and upon election of the third session of the Board of Directors and the third session of the Board of Supervisors, will) entered into a service agreement with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party to the other.

None of the Directors or the Supervisors has (or upon election of the third session of the Board of Directors and the third session of the Board of Supervisors, will have) a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' and Supervisors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this annual 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 subsidiary, 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 transaction, arrangement or contract 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 the end of the year or at any time during the Reporting Period.

Except as disclosed in this annual report, 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.

REPORT OF THE DIRECTORS

Independence of Independent Non-executive Directors

The Company has received a confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the Independent Non-executive Directors and the Company considers such Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

Other Information of the Directors and Supervisors

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 (who has resigned with effect from 16 November 2020) 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. For further details, please refer to the Company's announcement dated 27 April 2020.

MANAGEMENT CONTRACTS

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

REMUNERATION POLICY

The Remuneration and Appraisal Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

REPORT OF THE DIRECTORS

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors, Supervisors and five highest paid individuals are set out in note 12 to the consolidated financial statements.

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

As at 31 December 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 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 Hong Kong Stock Exchange pursuant to the Model Code were as follows:

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[2]	A Shares	88,072,968 (L)	12.77%	10.09%
		H Shares	2,600 (L)	0.00%	0.00%
	Parties acting in concert/ Interest in controlled corporations[2]	A Shares	129,978,568 (L)	18.84%	14.90%
Li Ning	Beneficial owner[3]	A Shares	1,560,000 (L)	0.23%	0.18%
Feng Hui	Beneficial owner[4]	A Shares	13,960,000 (L)	2.02%	1.60%
Zhang Zhuobing	Beneficial owner/ Interest of spouse[5]	A Shares	9,428,000 (L)	1.37%	1.08%
Yao Sheng	Beneficial owner[6]	A Shares	2,000,000 (L)	0.29%	0.23%
Li Cong	Beneficial owner	A Shares	3,657,600 (L)	0.53%	0.42%
Tang Yi	Beneficial owner	A Shares	7,774,500 (L)	1.13%	0.89%
	Interest in controlled corporations[7]	A Shares	196,370,736 (L)	28.47%	22.51%
		H Shares	2,600 (L)	0.00%	0.00%
Lin Lijun	Interest in controlled corporations[8]	A Shares	78,852,000 (L)	11.43%	9.04%
	Founder of a discretionary trust who can influence how the trustee exercises his discretion[8]	H Shares	37,189,000 (L)	20.35%	4.26%

REPORT OF THE DIRECTORS

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. As at 31 December 2020, the Company had 872,496,000 issued Shares, comprising 689,749,500 A Shares and 182,746,500 H Shares.

2. As at 31 December 2020, Mr. Xiong directly held 87,252,968 A Shares and 2,600 H Shares. He was also granted 820,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

   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 A Shares held by the other parties to the 2017 Concert Party Agreement as at 31 December 2020 under the SFO (including the 41,060,000 A 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 A Shares held by the other party to the 2019 Concert Party Agreement as at 31 December 2020 under the SFO.

   As at 31 December 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 A 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 A 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 A Shares under the SFO.

3. As at 31 December 2020, Dr. Li Ning was granted 1,560,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

4. As at 31 December 2020, Mr. Feng Hui directly held 13,140,000 A Shares. He was also granted 820,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

5. As at 31 December 2020, Mr. Zhang Zhuobing's spouse, Ms. Liu Xiaoling, directly held 8,608,000 A Shares. Mr. Zhang was also granted 820,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

6. As at 31 December 2020, Dr. Yao Sheng was granted 2,000,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

7. As at 31 December 2020, Mr. Tang Yi directly held 7,774,500 A 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 Shares and Restricted Shares that they are deemed to be interested in pursuant to the 2017 Concert Party Agreement) under the SFO.

REPORT OF THE DIRECTORS

8. As at 31 December 2020, Shanghai Tanying Investment Partnership ("**Shanghai Tanying**") was directly interested in 76,590,000 A Shares. Shanghai Tanzheng Investment Partnership ("**Shanghai Tanzheng**") directly held 2,262,000 A 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 31 December 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 31 December 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.

Interests in Associated Corporations

None of the Directors, Supervisors or the chief executive of the Company had any interests or short positions in shares, underlying shares and debentures of associated corporations (within the meaning of Part XV of SFO) of the Company.

REPORT OF THE DIRECTORS

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

As at 31 December 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 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	A Shares	41,060,000 (L)	5.95%	4.71%
	Parties acting in concert	A Shares	155,310,736 (L)	22.52%	17.80%
Suzhou Ruiyuan Shengben Biological Medicine Management Partnership (LP)*	Beneficial owner	A Shares	43,584,000 (L)	6.32%	5.00%
蘇州瑞源盛本生物醫藥管理合夥企業(有限合夥)[4]	Parties acting in concert	A Shares	152,786,736 (L)	22.15%	17.51%
Suzhou Benyu Tianyuan Biological Technology Partnership (LP)*	Beneficial owner	A Shares	4,600,000 (L)	0.67%	0.53%
蘇州本裕天源生物科技合夥企業(有限合夥)[4]	Parties acting in concert	A Shares	191,770,736 (L)	27.80%	21.98%
Shanghai Baoying Asset Management Co., Ltd.*	Beneficial owner	A Shares	4,372,144 (L)	0.63%	0.50%
上海寶盈資產管理有限公司[4]	Parties acting in concert	A Shares	191,998,592 (L)	27.84%	22.01%
Meng Xiaojun	Beneficial owner	A Shares	4,288,400 (L)	0.62%	0.49%
孟曉君[4]	Parties acting in concert	A Shares	192,082,336 (L)	27.85%	22.02%
Gao Shufang	Beneficial owner	A Shares	3,789,720 (L)	0.55%	0.43%
高淑芳[4]	Parties acting in concert	A Shares	192,581,016 (L)	27.92%	22.07%
Zhuhai Huapu Investment Management Co., Ltd.*	Beneficial owner	A Shares	3,719,504 (L)	0.54%	0.43%
珠海華樸投資管理有限公司[4]	Parties acting in concert	A Shares	192,651,232 (L)	27.93%	22.08%
Zhao Yun	Beneficial owner	A Shares	2,884,000 (L)	0.42%	0.33%
趙雲[4]	Parties acting in concert	A Shares	193,486,736 (L)	28.05%	22.18%
Zhou Yuqing	Beneficial owner	A Shares	21,680,800 (L)	3.14%	2.48%
周玉清[5]	Parties acting in concert	A Shares	88,072,968 (L)	12.77%	10.09%
Shanghai Tanying Investment Partnership[6]	Beneficial owner	A Shares	76,590,000 (L)	11.10%	8.78%
Shanghai Lejin Investment Partnership[6]	Interest of controlled corporation	A Shares	76,590,000 (L)	11.10%	8.78%
Shanghai Shengdao Investment Partnership[6]	Interest of controlled corporation	A Shares	76,590,000 (L)	11.10%	8.78%
Shanghai Shengge Asset Management Co., Ltd.[6]	Interest of controlled corporation	A Shares	78,852,000 (L)	11.43%	9.04%

REPORT OF THE DIRECTORS

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 龔瑞琳	Interest of spouse/ Interest of controlled corporation[6][8]	A Shares	78,852,000 (L)	11.43%	9.04%
	Interest of spouse[7][8]	H Shares	37,189,000 (L)	20.35%	4.26%
Loyal Valley Capital Advantage Fund LP[7][9]	Beneficial owner	H Shares	10,106,000 (L)	5.53%	1.16%
Loyal Valley Capital Advantage Fund GP Limited[7]	Interest of controlled corporation	H Shares	10,106,000 (L)	5.53%	1.16%
Loyal Valley Capital Advantage Fund II LP[7][10]	Beneficial owner	H Shares	12,127,000 (L)	6.64%	1.39%
Loyal Valley Capital Advantage Fund II Limited[7]	Interest of controlled corporation	H Shares	12,127,000 (L)	6.64%	1.39%
LVC Renaissance Fund LP[7]	Beneficial owner	H Shares	14,956,000 (L)	8.18%	1.71%
LVC Renaissance Limited[7]	Interest of controlled corporation	H Shares	14,956,000 (L)	8.18%	1.71%
LVC Holdings Limited[7]	Interest of controlled corporation	H Shares	22,233,000 (L)	12.17%	2.55%
LVC Management Holdings Limited[7]	Interest of controlled corporation	H Shares	22,233,000 (L)	12.17%	2.55%
LVC Bytes Limited (now known as LVC Innovate Limited)[7]	Interest of controlled corporation	H Shares	37,189,000 (L)	20.35%	4.26%
Jovial Champion Investments Limited[7]	Interest of controlled corporation	H Shares	37,189,000 (L)	20.35%	4.26%
Vistra Trust (Singapore) Pte. Limited[7]	Trustee	H Shares	37,189,000 (L)	20.35%	4.26%
Sun Yongjian 孫勇堅[9]	Interest of controlled corporation	H Shares	10,106,000 (L)	5.53%	1.16%
Eminent Azure Limited[9]	Interest of controlled corporation	H Shares	10,106,000 (L)	5.53%	1.16%
Prosperous Wealth Global Limited[9]	Interest of controlled corporation	H Shares	10,106,000 (L)	5.53%	1.16%
Highbury Investment Pte Ltd[10]	Beneficial owner	H Shares	15,226,289 (L)	8.33%	1.75%
	Interest of controlled corporation	H Shares	12,127,000 (L)	6.64%	1.39%

REPORT OF THE DIRECTORS

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]
GIC (Ventures) Pte. Ltd. [10]	Interest of controlled corporation	H Shares	27,353,289 (L)	14.97%	3.14%
GIC Special Investments Private Limited[10]	Investment manager	H Shares	27,353,289 (L)	14.97%	3.14%
GIC Private Limited[10]	Interest of controlled corporation	H Shares	27,053,289 (L)	14.80%	3.10%
	Investment manager	H Shares	1,933,311 (L)	1.06%	0.22%
Wang Shujun 王樹君	Beneficial owner	H Shares	13,339,000 (L)	7.30%	1.53%
Yu Jianwu 俞建午	Beneficial owner	H Shares	13,339,000 (L)	7.30%	1.53%
Gaoling Fund, L.P. [11]	Beneficial owner	H Shares	10,715,000 (L)	5.86%	1.23%
Hillhouse Capital Advisors, Ltd.[11]	Investment manager	H Shares	11,400,000 (L)	6.24%	1.31%
China International Capital Corporation Limited[12]	Beneficial owner	H Shares	9,271,700 (L)	5.07%	1.06%

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 31 December 2020, the Company had 872,496,000 issued Shares, comprising 689,749,500 A Shares and 182,746,500 H Shares.

3. As at 31 December 2020, Mr. Xiong Fengxiang directly held 41,060,000 A Shares. Pursuant to the 2017 Concert Party Agreement, Mr. Xiong Fengxiang was deemed to be interested in an aggregate of 155,310,736 A Shares held by the other parties to the 2017 Concert Party Agreement under the SFO (including the 87,252,968 A Shares directly held by and the 820,000 Restricted Shares granted pursuant to the 2020 Restricted A Share Incentive Scheme to 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 A Shares in which the other parties to the 2017 Concert Party Agreement are interested 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 Shares in which Mr. Xiong Jun (who was the other party to the 2019 Concert Party Agreement) was interested under the SFO.

6. As at 31 December 2020, Shanghai Tanying Investment Partnership ("**Shanghai Tanying**") was directly interested in 76,590,000 A 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 A 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 A Shares. Therefore, Shanghai Shengge was also deemed to be interested in the A Shares held by Shanghai Tanzheng under the SFO.

REPORT OF THE DIRECTORS

7. As at 31 December 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.

8. Ms. Gong Ruilin is the spouse of Mr. Lin Lijun. As at 31 December 2020, Shanghai Tanying was a controlled corporation of both Ms. Gong Ruilin and Mr. Lin Lijun. Therefore, Ms. Gong was deemed to be interest in the 76,590,000 A Shares held by Shanghai Tanying under the SFO. In addition, Ms. Gong was also deemed to be interested in another 2,262,000 A Shares held by Mr. Lin Lijun through his other controlled corporations.

9. As at 31 December 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 31 December 2020, Highbury Investment Pte Ltd ("**Highbury**") directly held 15,226,289 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 31 December 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 31 December 2020, China International Capital Corporation Limited ("**CICC**") was deemed to be interested in 8,871,700 H Shares and 400,000 H Shares held by China International Capital Corporation Hong Kong Securities Limited and CICC Financial Trading Limited, respectively, which are controlled corporations of CICC, under the SFO.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Report Period:

(a) the Company issued 87,130,000 new A Shares in its STAR Market Listing on 15 July 2020 (see "—Issue of A Shares and Listing on the STAR Market of the Shanghai Stock Exchange" above);

(b) the Company has granted certain Pre-IPO Options (which may be satisfied by issue of new A Shares or acquisition of existing A Shares). On 2 November 2020, the Company issued 1,219,500 new A Shares pursuant to the exercise of certain Pre-IPO Options granted under the 2018 Pre-IPO Share Incentive Scheme by eligible employees (see "—2018 Pre-IPO Share Incentive Scheme" above);

(c) the Company granted 28,519,000 Restricted Shares under the 2020 Restricted A Share Incentive Scheme to eligible employees on 16 November 2020 (see "—2020 Restricted A Share Incentive Scheme" above).

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CONNECTED TRANSACTIONS

Strategic Allotment to the Collective Management Plan in the STAR Market Listing

As disclosed in "—Issue of A Shares and Listing on the STAR Market of the Shanghai Stock Exchange" above, the Company was successfully listed on the STAR Market on 15 July 2020, and issued 87,130,000 new A Shares at the issue price of RMB55.50 per A Share.

At the 2020 second extraordinary general meeting of the Company held on 19 June 2020, the Shareholders approved the strategic allotment of the issue of A Shares to certain senior management and core employees of the Company, including certain Directors (who were connected persons of the Company), through a collective management plan, Guotai Junan Junxiang STAR Market Junshi Biosciences No. 1 Strategic Placing Collective Asset Management Plan* (國泰君安君享科創板君實生物1號戰略配售集合資產管理計劃) (the "**Collective Management Plan**").

The Company, the Collective Management Plan and CICC (as sponsor and a lead underwriter of the STAR Market Listing) entered into the Strategic Allotment Agreement. On the date of the STAR Market Listing, a total of 4,645,421 A Shares were issued to the Collective Management Plan in consideration of a total subscription amount of RMB259,110,000 (inclusive of brokerage and taxes) at the issue price of RMB55.50 per A Share (being the same issue price of A Shares under the STAR Market Listing). The A Shares subscribed by the Collective Management Plan are subject to a lock-up period of 12 months from the date of completion of the STAR Market Listing (i.e., 15 July 2020).

REPORT OF THE DIRECTORS

The list of the participants of the Collective Management Plan, comprising senior management and core employees of the Group, is as follows:

Name	Position	Subscription amount (RMB)	Percentage of interests in the Collective Management Plan *(Approximately)*	Number of A Shares allotted [1] *(Approximately)*
Xiong Jun[2]	Executive Director, Chairman of the Board and Legal Representative	10,500,000	4.05%	188,100
Li Ning[2]	Executive Director, Chief Executive Officer and General Manager	46,130,000	17.80%	826,900
Zhang Zhuobing[2]	Executive Director and Deputy General Manager	10,500,000	4.05%	188,100
Feng Hui[2]	Executive Director	10,500,000	4.05%	188,100
Sub-total		77,630,000	29.95%	1,391,200
Other senior management and core employees of the Group		181,480,000	70.04%	3,254,221
Total		259,110,000	100%	4,645,421

Notes:

1. The participants (including the connected persons) do not directly hold the A Shares, but they hold the A Shares through their interests under the Collective Management Plan. The above is the calculation of the number of shares allotted to the Collective Management Plan and the amount subscribed by each participant (including each connected person) and is for illustrative purpose only.

2. Mr. Xiong Jun, Dr. Li Ning, Mr. Zhang Zhuobing and Dr. Feng Hui are each an executive Director of the Company, and each a connected person of the Company.

3. Certain figures in the above table have been subject to rounding adjustments, or have been rounded to two decimal places. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

REPORT OF THE DIRECTORS

The participants of the Collective Management Plan include four executive Directors (namely, Mr. Xiong Jun, Dr. Li Ning, Mr. Zhang Zhuobing and Dr. Feng Hui). Mr. Xiong Jun is also a substantial shareholder of the Company for the purpose of the Hong Kong Listing Rules. The Collective Management Plan is a connected person of the Company and the strategic allotment to the Collective Management Plan constituted a connected transaction of the Company.

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.

Grant of Restricted Shares under the 2020 Restricted A Share Incentive Scheme to Connected Participants

As disclosed in "– 2020 Restricted A Share Incentive Scheme" above, the 2020 Restricted A Share Incentive Scheme was approved and adopted by its Shareholders at the 2020 third extraordinary general meeting, the 2020 second class meeting of A Shareholders and the 2020 second class meeting of H Shareholders held on 16 November 2020.

On 16 November 2020, Restricted Shares under the First Grant were granted to 1,933 participants at the grant price of RMB55.50 per A Share. Among such participants, Mr. Xiong Jun, Dr. Li Ning, Dr. Feng Hui, Dr. Yao Sheng and Mr. Zhang Zhuobing are executive Directors of the Company, and Ms. Wang Shixu is an associate of Dr. Wu Hai (a non-executive Director). Mr. Xiong Jun is also a substantial Shareholder of the Company for the purpose of the Hong Kong Listing Rules. Each of them is a connected person under Chapter 14A of the Listing Rules. Accordingly, the issue and grant of the Restricted Shares to the Connected Participants under the 2020 Restricted A Share Incentive Scheme constituted a connected transaction of the Company. List of the Connected Participants and the grant of Restricted Shares to them are set out in "– 2020 Restricted A Share Incentive Scheme" above.

Further details of the 2020 Restricted A Share Incentive Scheme, the First Grant and the grant of Restricted Shares to the Connected Participants are set out in the Company's circular dated 22 October 2020 and announcement dated 16 November 2020.

Continuing Connected Transaction

Technical development services from Beijing Zhengdan and its associates

Party and connected relationship	As at the date of the Framework Agreement, Beijing Zhengdan International Technology Co., Ltd.* (北京正旦國際科技有限責任公司) ("**Beijing Zhengdan**") held 40% of the equity interest in Beijing Junkejingde Biotechnology Co., Ltd. (北京軍科鏡德生物科技有限責任公司) ("**Beijing Junkejingde**"), then 60%-owned subsidiary of the Company. As at the date of the Framework Agreement, Beijing Zhengdan was a substantial shareholder of Beijing Junkejingde and thus a connected person of the Company at the subsidiary level. As of 9 January 2020, upon completion of the industrial and commercial deregistration of Beijing Junkejingde, Beijing Zhengdan was no longer a connected person of the Company.

REPORT OF THE DIRECTORS

The Framework Agreement	Pursuant to a technical development engagement framework agreement (the "**Framework Agreement**") dated 4 December 2018 between the Company and Beijing Zhengdan, the Company (together with its subsidiaries) may engage Beijing Zhengdan and/or its associates to provide pharmaceutical research and technical development services, including conducting analysis for biological samples from clinical trials, and from non-clinical trials (including formation of methodology, verification, filter, tests, preparation of reports, sample treatment and related tasks), conducting stability tests, keeping of samples and files, and other services relating to drug studies and technical services. The Framework Agreement commenced from 24 December 2018 (the listing date) and expired on 31 December 2020.
Pricing policy	The fee to be paid by the Group under the Framework Agreement is determined based on parties arm's length negotiations. Factors taken into account include the scope, complexity and nature of research and services sought by the Group, sampling and number of researches and tests to be performed, and the fee is determined with reference to pricing terms determined after due consideration of prevailing market rates from independent third parties for comparable pharmaceutical research and technical development services. The fee for certain frequently adopted services have been agreed in the Framework Agreement. If there is any deviation or additional services demanded by the Group which is not listed in the price list, its price and terms shall be determined with reference to the quotation for identical or similar services contemporaneously from at least two other service providers who are independent third parties so as to confirm that such price and terms to be determined shall be fair and reasonable, and comparable to (or better than) those offered by independent third parties. The Group enters into separate individual agreements with Beijing Zhengdan and/or its associates with respect to its individual service request.
Annual cap for 2020	RMB20,000,000
Actual transaction from the beginning of the Reporting Period up to 9 January 2020	Nil
Listing Rules implications and Hong Kong Stock Exchange waiver	As at the date of the Framework Agreement, Beijing Zhengdan was a connected person of the Group at the subsidiary level. The Board has approved the Framework Agreement with all Independent Non-executive Directors confirmed its terms are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole. Pursuant to Rule 14A.101 of the Listing Rules, the transaction under the Framework Agreement is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

Pursuant to Rule 14A.105 of the Listing Rules, the Company has applied for, and Hong Kong Stock Exchange has granted to the Company, a waiver from strict compliance with the announcement requirement in respect of the above non-exempt continuing connected transaction. Such waiver will expire on 31 December 2020.

On 9 January 2020, Beijing Junkejingde completed industrial and commercial deregistration in the PRC and ceased to be a subsidiary of the Company. Upon the completion of industrial and commercial deregistration of Beijing Junkejingde, Beijing Zhengdan was no longer a connected person of the Company under the Listing Rules and the Framework Agreement is no longer a connected transaction of the Company under the Listing Rules. The Company confirms that, during the period from 1 to 9 January 2020, there was no transaction and no transaction amount was incurred under the Framework Agreement.

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with "related parties" as defined under applicable accounting standards. Related party transactions are disclosed in note 34 to the consolidated financial statements. They include the following connected transactions under the Listing Rules:

Compensation to the Directors and Supervisors in note 34 to the consolidated financial statements	They are exempted under Rule 14A.76 or 14A.95 of the Listing Rules

The Company has complied with the disclosure requirements in accordance with Chapter 14 of the Listing Rules in respect of the above related party transactions.

DONATIONS

During the Reporting Period, the Group made donations of approximately RMB53 million.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the relevant laws of the PRC that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION (H SHAREHOLDERS)

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得税法》) and its implementation rules, dividends paid to individuals by PRC companies are generally subject to an individual income tax levied at a flat rate of 20%. For an individual who has no domicile in the PRC and is not resident in the territory of the PRC or who has no domicile in the PRC and has been resident in the territory of the PRC for less than 183 days cumulatively within a tax year, his/her receipt of dividends from a PRC company is normally subject to a PRC withholding tax of 20% unless specifically exempted or reduced by an applicable tax treaty and other tax laws and regulations.

REPORT OF THE DIRECTORS

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Holders of H Shares who are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外 H 股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897 號)), a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards to holders of H Shares who are overseas non-resident enterprises, shall withhold the enterprise income tax at a flat rate of 10%.

The Company did not have any distributable profit in 2020. The Company did not pay any dividend. Accordingly, the shareholders of the Company (including the holders of H Shares) are not subject to income tax.

COMPANY'S COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group is able to comply with relevant requirements of laws, regulations, rules and provisions of the Companies Ordinance, the Hong Kong Listing Rules and SFO in Hong Kong, the PRC Company Law and the STAR Market Listing Rules in the PRC, the Drug Administration Law (《藥品管理法》), the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》) and the Measures for the Supervision over and Administration of Pharmaceutical Production (《藥品生產監督管理辦法》), etc. regarding information disclosure, corporate governance and standard industry operation, etc. during the Reporting Period.

PERMITTED INDEMNITY PROVISION

As at the date of this report, all Directors of the Company were covered under the liability insurance purchased by the Company for its Directors.

COMPLIANCE OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY THE 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 throughout the Reporting Period.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. As at the date of this report, the Board comprises five Executive Directors, five Non-executive Directors and five Independent Non-executive Directors. The Board has adopted the code provisions as set out in the CG Code as its corporate governance code. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 62 to 78 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We know that the development of enterprises is closely related to the environment, and we always emphasize the importance and necessity of green production. In the course of daily production and operation, we adhere to the policy of "green development through energy conservation, pollution reduction, compliance with laws, and constant optimization" and strictly deal with all kinds of wastes discharged in the process of production. At the same time, we are concerned about the impact of extreme weather on production to ensure the sustainability of our operations. There was no environment-related non-compliance case in 2020.

REPORT OF THE DIRECTORS

We are enthusiastic about participating in community charity activities and always believe that the development of charity activities is not only a platform for the Company to fulfil its social responsibilities, but also an important measure to build a good company image and enhance employees' pride. With the continuous development and growth of the Company, we will firmly fulfil our responsibility on social public welfare. We actively participate in community charities such as the Cancer Humanities Cooperation Group of China Cancer Foundation, Bethune TUOYI Charity Donation, and Shanghai Dream Sharing Kind Foundation. During the COVID-19 Outbreak, we accelerate R&D of anti-pandemic drugs and donate to purchase medical supplies needed in the prevention.

We pay attention to the construction of compliance system, strictly follow the relevant national laws and regulations and the pharmaceutical industry regulatory policies, persist in promoting and implementing the corporate culture of operation compliance, and advocate the compliance principal as well as high standard business and personal ethics from top to bottom. We established a whole-process compliance operation system for pre-event, in-process, and post-event practice, which covers reasonable pre-event approval, objective business confirmation, compliant in-process guidance, and comprehensive post-event review, and ensured operation compliance of the Company through the cooperation of different departments. We also issued comprehensive compliance operation policies and constantly optimize the compliance requirements in the process of operation. We set up management policies involving anti-fraud, meeting communications and exchange, information disclosure and investor relations management etc. to ensure that the Company is always in a healthy and compliant operating environment. There was no non-compliance case in 2020.

Employees are a key resource of company's sustainable operation and steady development. We care for our employees' physical and mental health, try hard to safeguard the legitimate rights and interests of each employee, improve the career development system of employees, create harmonious labour relations, and actively create a warm working environment for our employees.

As a pharmaceutical manufacturer, product quality is our lifeline. The Company pays great attention to product quality management. For this reason, we established a sound quality management system and strictly manage our suppliers. At the same time, we continue to expand the sales team, improve customer service, and continuously improve customer satisfaction.

For further details of the Company's environmental, social and governance efforts and performance, please refer to the Environmental, Social and Governance Report on pages 79 to 130 of this report.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

The Company has applied for, and Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 8.08(1) of the Listing Rules that the minimum public float be reduced and the minimum percentage of the H Shares from time to time held by the public to be the highest of:

(a) 16%;

(b) such percentage of H Shares to be held by the public immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised); or

(c) such percentage of H Shares to be held by the public after the exercise of the Over-allotment Option,

but the percentage of minimum public float so decided above shall be reduced as a result of any increase in the Company's issued share capital following any issue of A Shares by the Company upon exercise of any Pre-IPO Options and/or the 2018 Convertible Bonds, provided that (i) the market capitalization of the portion of the total number of the Company's issued shares held by the public shall exceed HK$375 million at the time of the H Share Listing pursuant to Rule 18A.07 of the Listing Rules and (ii) the minimum percentage of public float from time to time shall not be lower than 15.71% of the Company's issued share capital.

Further details of the waiver are set out in the Prospectus.

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Directors confirmed that the Company has maintained the required public float under the above public float waiver granted by Hong Kong Stock Exchange.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years (prepared in accordance with IFRS) are set out on page 8 of this annual report. This summary does not form part of the audited consolidated financial statements.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Audit Committee consists of two Independent Non-executive Directors, being Mr. Zhang Chun (Chairman) 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 by 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.

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 audited consolidated financial statements for the year ended 31 December 2020.

AUDITOR

The financial statements for the year ended 31 December 2020 has been audited by Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu shall retire in the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution to re-appoint Deloitte Touche Tohmatsu as auditor of the Company and to authorize the Directors to fix its remuneration will be proposed at the forthcoming AGM.

CLOSURE OF THE REGISTER OF MEMBERS OF H SHARES

The register of members of H Shares of the Company will be closed from Monday, 21 June 2021 to Tuesday, 29 June 2021, both days inclusive, during which period no transfer of H Shares of the Company will be registered, in order to determine the identity of the holders of H Shares of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Tuesday, 29 June 2021. In order to be eligible to attend and vote at the AGM, all transfers of the H Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's H Share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Friday, 18 June 2021 (Hong Kong time), being the last share registration date.

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

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

30 March 2021

* *For identification purpose only*

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS 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)

OPINION

We have audited the 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 172 to 273, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

Cut-off of research and development expenses

The Group incurred significant research and development ("R&D") expenses of RMB1,778,023,000 as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020. In addition, R&D expenses of RMB215,933,000 were accrued as at 31 December 2020 as set out in Note 24 to the consolidated financial statements. A large portion of these accrued R&D expenses were service fees payable to outsourced service providers including contract research organisations and clinical trial centres (collectively referred to as the "Outsourced Service Providers").

We identified the cut-off of R&D expenses as a key audit matter due to its significant amount and risk of not accruing R&D costs incurred for services provided by the Outsourced Service Providers in the appropriate reporting period.

How our audit addressed the key audit matter

Our procedures in relation to the cut-off of R&D expenses included:

- Obtaining an understanding of key controls, management's basis and assessment in relation to the accrual process of the R&D expenses including service fees paid to Outsourced Service Providers;
- For the service fees paid to contract research organisations, reading the key terms set out in research agreements and evaluating the completion status with reference to the progress reported by the representatives of the relevant contract research organisations, on a sample basis, to determine whether the service fees were recorded based on the respective contract sums, progress and/or milestones achieved; and
- For the service fees paid to clinical trial centres, testing the accrual of the clinical trial related costs, on a sample basis, against the clinical trial data and terms of services.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Sze On Tat.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	NOTES	**RMB'000**	RMB'000
Revenue	*5*	**1,594,897**	775,089
Cost of sales and services		**(372,531)**	(90,684)
Gross profit		**1,222,366**	684,405
Other income	*6*	**77,454**	60,768
Other gains and losses	*7*	**27,591**	21,222
Impairment losses under expected credit loss model, net of reversal		**(255)**	1,038
Research and development expenses		**(1,778,023)**	(946,100)
Selling and distribution expenses		**(687,971)**	(320,056)
Administrative expenses		**(443,346)**	(216,889)
Share of loss of a joint venture		**(1)**	(5)
Share of losses of associates		**(3,804)**	(2,522)
Other expenses		**(54,081)**	(31,685)
Finance costs	*8*	**(29,391)**	(13,300)
Loss before tax	*9*	**(1,669,461)**	(763,124)
Income tax credit	*10*	**3,822**	18,891
Loss for the year		**(1,665,639)**	(744,233)
Other comprehensive (expense) income for the year			
Exchange differences arising on translation of foreign operations		**(21,928)**	3,178
Total comprehensive expense for the year		**(1,687,567)**	(741,055)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	Year ended 31 December 2020 RMB'000	2019 RMB'000
Loss for the year attributable:			
Owners of the Company		**(1,665,639)**	(743,922)
Non-controlling interests		**–**	(311)
		(1,665,639)	(744,233)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(1,687,567)**	(740,744)
Non-controlling interests		**–**	(311)
		(1,687,567)	(741,055)
Loss per share	*11*		
Basic (RMB yuan)		**(2.02)**	(0.95)
Diluted (RMB yuan)		**(2.02)**	(0.95)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	At 31 December 2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	14	**2,348,155**	1,827,868
Right-of-use assets	15	**186,239**	179,518
Intangible assets	16	**31,019**	6,291
Interests in joint ventures	17	**1,021**	1,022
Interests in associates	18	**65,150**	71,224
Deferred tax assets	29	**26,113**	20,590
Other assets, prepayments and other receivables	21	**297,725**	335,466
Other financial assets	22	**356,725**	69,345
		3,312,147	2,511,324
Current assets			
Inventories	19	**343,425**	180,666
Trade receivables	20	**663,323**	157,416
Other assets, prepayments and other receivables	21	**306,954**	352,163
Other financial assets	22	**17**	17
Restricted bank deposits	23	**–**	6,828
Bank balances and cash	23	**3,384,998**	1,214,026
		4,698,717	1,911,116
Current liabilities			
Trade and other payables	24	**1,215,016**	514,639
Borrowings	25	**252,346**	76,891
Lease liabilities	28	**25,220**	13,846
		1,492,582	605,376
Net current assets		**3,206,135**	1,305,740
Total assets less current liabilities		**6,518,282**	3,817,064

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	At 31 December 2020 RMB'000	2019 RMB'000
Non-current liabilities			
Borrowings	*25*	**542,222**	744,896
Deferred income	*27*	**103,809**	56,320
Lease liabilities	*28*	**30,991**	27,332
		677,022	828,548
Net assets		**5,841,260**	2,988,516
Capital and reserves			
Share capital	*30*	**872,496**	784,147
Reserves		**4,968,767**	2,204,372
Equity attributable to owners of the Company		**5,841,263**	2,988,519
Non-controlling interests		**(3)**	(3)
Total equity		**5,841,260**	2,988,516

The consolidated financial statements on pages 172 to 273 were approved and authorised for issue by the board of directors on 30 March 2021 and are signed on its behalf by:

Xiong Jun
Director

Li Ning
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Restricted share units ("RSU") reserve RMB'000	Share option reserve RMB'000	Financial liability designated as at fair value at profit or loss ("FVTPL") credit risk reserve RMB'000 *(Note)*	Translation reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	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 year	–	–	–	–	–	–	(743,922)	(743,922)	(311)	(744,233)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	3,178	–	3,178	–	3,178
Total comprehensive income (expense) for the year	–	–	–	–	–	3,178	(743,922)	(740,744)	(311)	(741,055)
New H shares issued upon over-allotment options exercised *(Note 30)*	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 expenses *(Note 32)*	–	–	–	15,638	–	–	–	15,638	–	15,638
Redemption of convertible loan notes	–	–	–	–	9,367	–	(9,367)	–	–	–
Acquisition of additional interest of a partially-owned subsidiary	–	–	–	–	–	–	(313)	(313)	313	–
Dissolution of interest in a partially-owned subsidiary	–	–	–	–	–	–	–	–	1,108	1,108
At 31 December 2019	784,147	4,143,394	–	37,338	–	12,535	(1,988,895)	2,988,519	(3)	2,988,516
Loss for the year	–	–	–	–	–	–	(1,665,639)	(1,665,639)	–	(1,665,639)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(21,928)	–	(21,928)	–	(21,928)
Total comprehensive expense for the year	–	–	–	–	–	(21,928)	(1,665,639)	(1,687,567)	–	(1,687,567)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Restricted share units ("RSU") reserve RMB'000	Share option reserve RMB'000	Financial liability designated as at fair value at profit or loss ("FVTPL") credit risk reserve RMB'000 *(Note)*	Translation reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
A shares issued upon listing on the Science and Technology Innovation Board (the "STAR Market") *(Note 30)*	87,130	4,748,585	–	–	–	–	–	4,835,715	–	4,835,715
Transaction costs attributable to issue of A shares	–	(338,737)	–	–	–	–	–	(338,737)	–	(338,737)
Recognition of equity settled share-based payment expenses – share option *(Note 32)*	–	–	–	6,549	–	–	–	6,549	–	6,549
Exercise of share options	1,219	21,110	–	(11,110)	–	–	–	11,219	–	11,219
Recognition of equity settled share-based payment expenses – RSU *(Note 32)*	–	–	25,565	–	–	–	–	25,565	–	25,565
At 31 December 2020	872,496	8,574,352	25,565	32,777	–	(9,393)	(3,654,534)	5,841,263	(3)	5,841,260

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(1,669,461)**	(763,124)
Adjustments for:		
Bank deposits interest income	**(20,278)**	(29,222)
Finance costs	**29,391**	13,300
Government grants income related to property, plant and equipment	**(1,798)**	(599)
Net exchange losses	**31,222**	7,700
Net gains from changes in fair value of other financial assets measured at FVTPL	**(43,594)**	(700)
Net gains from changes in fair value of convertible loan notes	**–**	(23,426)
Gain on disposal of an associate	**(630)**	–
Depreciation of property, plant and equipment	**120,581**	41,452
Depreciation of right-of-use assets	**28,745**	17,068
Amortisation of intangible assets	**2,036**	1,071
Impairment loss recognised on trade and other receivables, net of reversal	**255**	(1,038)
Write-down of inventories	**4,227**	–
Loss on disposal of property, plant and equipment	**734**	638
Share-based payment expenses	**30,728**	11,797
Share of loss of a joint venture	**1**	5
Share of losses of associates	**3,804**	2,522
Operating cash flows before movements in working capital	**(1,484,037)**	(722,556)
Increase in inventories	**(166,986)**	(132,198)
Increase in trade receivables	**(512,646)**	(157,505)
Increase in other assets, prepayments and other receivables	**(3,660)**	(328,230)
Increase in trade and other payables	**658,446**	150,664
Decrease in contract liabilities	**–**	(1,111)
Increase in deferred income	**11,778**	4,313
Cash used in operations	**(1,497,105)**	(1,186,623)
Income tax paid	**(1,701)**	(411)
NET CASH USED IN OPERATING ACTIVITIES	**(1,498,806)**	(1,187,034)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	NOTES	Year ended 31 December 2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES			
Interest received		**20,278**	29,222
Payments for property, plant and equipment		**(560,581)**	(791,585)
Payments for intangible assets		**(26,718)**	(4,592)
Upfront payments for right-of-use assets		**(5,383)**	(66,972)
Payments for rental deposits		**(3,552)**	(881)
Release of rental deposits		**851**	–
Placement of restricted bank deposit		**–**	(23,310)
Release of restricted bank deposit		**6,828**	16,482
Acquisition of associates	*18*	**–**	(73,746)
Disposal of an associate	*18*	**2,900**	–
Acquisition of other financial assets		**(175,137)**	(117,346)
Disposal of other financial assets		**106**	72,200
Repayment from a partner of a joint operation		**9,443**	17,712
Deposit paid for acquisition of a financial asset		**(70,029)**	–
Refund of deposit paid for acquisition of a financial asset		**70,029**	–
Advance to a partner of a joint operation		**(4,520)**	(16,827)
Proceeds from disposal of property, plant and equipment		**–**	54
Receipt of government grants related to property, plant and equipment		**37,509**	7,559
NET CASH USED IN INVESTING ACTIVITIES		**(697,976)**	(952,030)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	NOTES	**RMB'000**	RMB'000
FINANCING ACTIVITIES			
Payment on redemption of convertible loan notes		**–**	(200,000)
Proceeds on issue of new H Shares		**–**	403,838
Payments for transaction costs for the issue of new H Shares		**–**	(26,307)
Proceeds from issue of A Shares on the STAR Market		**4,835,715**	–
Payments for transaction costs for the issue of A shares		**(337,730)**	(1,410)
New borrowings raised		**374,239**	1,681,516
Repayments of borrowings		**(401,416)**	(1,189,137)
Interest paid		**(46,236)**	(60,759)
Repayments for lease liabilities		**(22,269)**	(15,267)
Proceeds from dissolution of a subsidiary		**–**	1,108
Proceeds from exercise of share options		**11,219**	–
NET CASH FROM FINANCING ACTIVITIES		**4,413,522**	593,582
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,216,740**	(1,545,482)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,214,026**	2,763,570
Effect of foreign exchange rate changes		**(45,768)**	(4,062)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCE AND CASH		**3,384,998**	1,214,026

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 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's domestic shares became listed on the National Equities Exchange and Quotations ("NEEQ") (stock code 833330). On 24 December 2018, the Company's H shares 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 to A shares and listed on the STAR Market of the Shanghai Stock Exchange on 15 July 2020 (stock code: 688180). The respective addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (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 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

In addition, the Group has early applied the Amendments to IFRS 16 *COVID-19-Related Rent Concessions*.

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 year has had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

Amendments to IFRSs that are mandatorily effective for the current year (Continued)

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

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. 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 year had no impact on the consolidated financial statements.

Impacts on early application of Amendment to IFRS 16 COVID-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening accumulated losses at 1 January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[2]

[1] Effective for annual periods beginning on or after 1 January 2023

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

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 January 2021

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

New and amendments to IFRSs in issue but not yet effective (Continued)

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

Based on the Group's outstanding liabilities as at 31 December 2020, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (Continued)

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measured fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Change in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Investments in associates and joint ventures (Continued)

For the investments in associates and joint ventures in ordinary shares, the results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The Group does not apply equity method for other financial instruments in an associate or joint venture. These includes long-term interests (including investments in preference shares), in substance, form part of the net investments in associates or joint ventures. The Group applies IFRS 9 to such long-term interests and the Group does not take account of any adjustments to the carrying amount of the long-term interests that arise from applying IAS 28. The associates and the joint ventures use accounting policies that differ from those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associates' and the joint ventures' accounting policies to those of the Group. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or the joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture in ordinary shares is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Investments in associates and joint ventures (Continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9 *Financial Instruments*, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Interests in joint operations (Continued)

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Except for granting of a license that is distinct from other goods and services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue recognition

The Group recognises revenue from the following major sources:

(a) Sales of goods

Revenue is recognised when control of the goods has been transferred, being when the goods have been delivered to the customer's specific location. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Revenue recognition (Continued)

(b) Sub-licensing income

For granting of a licence that is distinct from other 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 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.

(c) Service income

The Group primarily earns revenues by providing consulting and researching services to its customers through fee-for-service contracts. Contracts duration ranges from a few weeks to months.

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

Variable consideration

For contracts that contain variable consideration in relation to discount provided to customers and milestone payments received from sub-license agreement, the Group estimates the amount of consideration to which it will be entitled using the expected value method and the most likely amount respectively, which best 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Variable consideration (Continued)

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.

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).

Refund liabilities

The Group recognises a refund liability (represents accrual for healthcare program) if the Group expects to refund some or all of the consideration received from customers.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combination, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components unless such allocation cannot be made reliably.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave) after deducting any amount already paid.

Share-based payment

Equity-settled share-based payment transactions

Shares/share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Share-based payment (Continued)

Equity-settled share-based payment transactions (Continued)

Shares/share options granted to employees (Continued)

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve or RSU reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve and RSU reserve.

When share options are exercised or RSUs are vested, the amount previously recognised in share option reserve or RSU reserve will be transferred to share premium. When the share options or RSUs are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve or RSU reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred taxes are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes and equipment under installation are carried at cost, less any recognised impairment losses. Cost include the depreciation of right-of-use assets provided during the construction period as part of costs of buildings under construction, and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable to operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure (Continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amounts of property, plant and equipment, right-of-use assets, intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories (including raw materials acquired for usage in development activities) are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Trial batches manufactured prior to regulatory approval (including raw materials cost) is charged to development expenses when they are produced.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables, restricted bank deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with respective risks of default occurring as the weights. Except for debtors with significant balance not backed by bank bills which ECL are assessed individually, the Group uses a practical expedient in estimating ECL on trade receivables not backed by bank bills using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort. Debtors with trade receivables backed by bank bills are assessed individually taking into consideration of the credit rating and reputation of the bank issuing the bills.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered using provision matrix taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial assets.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL. A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities (Continued)

(i) Financial liabilities at FVTPL (Continued)

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

(ii) Financial liabilities at amortised cost

Financial liabilities including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

A conversion option that will be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. The Group designated the convertible loan notes as at FVTPL upon initial recognition because the convertible loan notes contract contains one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL (see the accounting policy above).

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Research and development expenses

Development expenses incurred on the Group's drug product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management of the Group will assess the progress of each of the research and development projects and determine the criteria met for capitalisation. All development expenses were expensed when incurred during the current and prior years.

Key sources of estimation uncertainty

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

Deferred tax assets

As at 31 December 2020, deferred tax assets of RMB26,113,000 (2019: RMB20,590,000) in relation to unused tax losses and other deductible temporary differences for certain operating subsidiaries has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on deductible temporary differences of RMB386,314,000 (2019: RMB37,599,000) and the tax losses of RMB3,529,965,000 (2019: RMB1,975,441,000) for loss-making subsidiaries due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Fair value measurement of financial instruments

As at 31 December 2020, certain of the Group's unlisted equity investments and unlisted equity investment in partnership amounting to RMB172,127,000 (2019: RMB18,000,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 37b for further disclosures.

Provision of ECL for trade receivables

Trade receivables with significant balances are assessed for ECL individually. In addition, for trade receivables which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, provision matrix is performed by grouping debtors based on the Group's internal credit ratings.

The provision of ECL is sensitive to changes in estimates. In determining impairment allowances, management applied ECL model with estimates and assumptions including:

- The selection of inputs which the entity used in the ECL model including loss given default and probability of default;
- The portfolio segmentation of financial assets based on risk characteristics of customers; and
- The selection of forward-looking information.

The information about the ECL and the Group's trade receivables are disclosed in Notes 37b and 20 respectively.

5. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year is as follows:

	2020	2019
	RMB'000	RMB'000
Sale of pharmaceutical products	**1,102,278**	774,124
Sub-licensing income	**405,103**	–
Service income	**87,516**	965
	1,594,897	775,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Sales of pharmaceutical products

Revenue from sales of pharmaceutical products is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 35 to 65 days (2019: 35 to 45 days) upon delivery.

The transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customers. All sales of goods are for a period of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Sub-licensing income

During the year ended 31 December 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 a 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 an upfront fee of USD10,000,000 (equivalent to RMB70,956,000) and milestone payments of USD50,000,000 (equivalent to RMB334,147,000) during the year ended 31 December 2020 and the Group may receive remaining milestone payments up to an aggregate amount of USD195,000,000 before sales-based royalty arrangement. As at 31 December 2020, the Group has fulfilled the performance obligation at a point in time and therefore, the upfront payment and milestone payments received are recognised as sub-licensing income during the year ended 31 December 2020.

Service income

Following the sub-licensing arrangement mentioned at above, the Group also provided research and development services to the Licensee. The consideration of the research and development services are USD12,378,000 (equivalent to RMB87,232,000).

As at 31 December 2020, the Group has fulfilled the performance obligation of the research and development services at a point in time and therefore, RMB87,516,000 (2019: RMB965,000) is recognised as service income during the year ended 31 December 2020. The normal credit term is 60 days (2019: 90 days) upon issuance of invoices.

The transaction price received by the Group is recognised as a contract liability until the services have been delivered to the customer. All sales of services are for a period of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

For the purpose of resources allocation and performance assessment, the Group's management, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. The Group has only one reportable segment. Accordingly, only geographical information and major customers are presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are located in the PRC and the United States of America (the "USA").

Information about the Group's revenue from external customers is presented based on the location of operations. Information about the Group's non-current assets, excluded non-current financial assets and deferred tax assets, is presented based on the geographical location of the assets as below:

	Revenue from external customers Year ended 31 December		Non-current assets As at 31 December	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**1,594,897**	775,089	**2,902,608**	2,407,578
The USA	**–**	–	**13,947**	5,227
	1,594,897	775,089	**2,916,555**	2,412,805

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Customer A[1]	**N/A[2]**	85,246
Customer B[3]	**591,433**	–

[1] Revenue from sales of pharmaceutical products.

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

[3] Revenue from sales of pharmaceutical products, sub-licensing income and service income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

6. OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest income from bank deposits	**20,278**	29,222
Government grants related to property, plant and equipment *(Note a)*	**1,798**	599
Other subsidies *(Note b)*	**16,758**	30,947
Compensation income *(Note c)*	**38,504**	–
Others	**116**	–
	77,454	60,768

Notes:

(a) Amounts represent subsidies from the PRC government specifically for the capital expenditure incurred for the acquisition of buildings situated on leasehold land in the PRC and machineries, which is recognised as income over the estimated useful life of the respective assets.

(b) Amounts represent subsidies from PRC government for research and development activities, which are recognised as income upon meeting specific conditions and incentives which have no specific conditions attached to the grants.

(c) Amount represents compensation income arising from cancellation of a contract in relation to sale of pharmaceutical products to a customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net gains from changes in fair value of other financial assets measured at FVTPL	**43,594**	700
Gain on disposal of an associate	**630**	–
Loss on disposal of property, plant and equipment	**(734)**	(638)
Exchange losses, net	**(11,672)**	(2,266)
Write-down of inventories	**(4,227)**	–
Gain on fair value changes of convertible loan notes measured at FVTPL	**–**	13,520
Exclude: amounts capitalised in the cost of construction in progress *(Note)*	**–**	9,906
	27,591	21,222

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

8. FINANCE COSTS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest on bank borrowings	**43,115**	31,423
Less: amounts capitalised in the cost of construction in progress	**(16,803)**	(20,412)
	26,312	11,011
Interest on lease liabilities	**3,079**	2,289
	29,391	13,300

Borrowing costs capitalised during the year arose on bank borrowings are calculated by applying a capitalisation rate of 5.23% (2019: 5.23%) per annum to expenditure on qualifying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

9. LOSS BEFORE TAX

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss before tax has been arrived at after charging:		
Auditor's remuneration	**3,080**	2,400
Amortisation for intangible assets	**2,036**	1,071
Depreciation of right-of-use assets	**32,240**	20,563
Less: amounts capitalised in the cost of construction in progress	**(3,495)**	(3,495)
	28,745	17,068
Depreciation of property, plant and equipment	**133,583**	41,684
Less: amounts capitalised in the cost of construction in progress	**(13,002)**	(232)
	120,581	41,452
Donation expenses (included in other expenses)	**52,979**	27,340
Cost of inventories recognised as an expense:		
– Cost of sales	**151,942**	89,735
– Research and development expenses	**310,623**	130,676
Staff costs (including directors' emoluments):		
– Salaries and other benefits	**860,104**	437,175
– Retirement benefit scheme contributions	**28,152**	39,827
– Share-based payment expenses	**32,114**	15,638
Less: amounts capitalised in the cost of construction in progress	**(27,357)**	(39,167)
amounts included in the cost of inventories	**(53,046)**	(10,755)
	839,967	442,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

10. INCOME TAX CREDIT

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")	**1,695**	–
Underprovision in prior year:		
United States Corporate Income Tax	**6**	411
	1,701	411
Deferred tax *(Note 29)*	**(5,523)**	(19,302)
	(3,822)	(18,891)

Under the Law of the PRC Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the Company and its PRC subsidiaries is 25% for both years.

The Company and its wholly-owned subsidiary, Shanghai Junshi Biotechnology Co., Ltd.* 上海君實生物工程有限公司 has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Shanghai and relevant authorities on 18 November 2020 and 2 November 2018 for a term of three years from 2020 to 2023 and 2018 to 2021 respectively, and has been registered with the local tax authorities for enjoying the reduced 15% EIT rate. Accordingly, the profit derived by the Company and 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.

For both years, the Tax Cuts and Jobs Act of 2017 ("Act") reduces the US Federal Corporate Income rate to a flat rate of 21% for tax years beginning after 2017.

TopAlliance Biosciences Inc., a wholly-owned subsidiary of the Company, is subject to the US California Corporate Income Tax rate of 8.84% (2019: 8.84%) for the year ended 31 December 2020. No provision for taxation in the United States has been made as TopAlliance Biosciences Inc. has sufficient tax losses brought forward to set off against assessable profit for both years.

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

No provision for taxation has been made as the Group has no assessable profit for the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

10. INCOME TAX CREDIT (CONTINUED)

The income tax credit for the year can be reconciled to loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss before tax	**(1,669,461)**	(763,124)
Tax charge at the PRC EIT rate of 25% (2019: 25%)	**(417,365)**	(190,781)
Tax effect of share of loss of a joint venture	**–**	1
Tax effect of share of losses of associates	**951**	631
Tax effect of expenses not deductible for tax purpose	**61,051**	108,597
Tax effect of research and development expenses that are additionally deducted *(Note)*	**(138,825)**	(103,478)
Tax effect on other deductible temporary differences not recognised	**87,179**	3,666
Utilisation of deductible temporary differences previously not recognised	**–**	(5,892)
Underprovision in prior year	**6**	411
Tax effect of tax losses not recognised	**391,851**	219,575
Utilisation of tax losses previously not recognised	**–**	(51,621)
Income tax at concessionary rate	**11,330**	–
Income tax credit recognised in profit or loss	**(3,822)**	(18,891)

Note: Pursuant to Caishui [2018] circular No. 99, the Company and four subsidiaries being Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd.*, Suzhou Junmeng Bioscience Co. Ltd.*, Shanghai Junshi Biotechnology Co., Ltd.* and Suzhou Union Biopharm Bioscience Co. Ltd.* (2019: four subsidiaries being Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd.*, Suzhou Junmeng Bioscience Co. Ltd.*, Shanghai Junshi Biotechnology Co., Ltd.* and Suzhou Union Biopharm Bioscience Co. Ltd.*) enjoy super deduction of 175% (2019: 175%) on qualifying research and development expenditures for the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

11. LOSS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(1,665,639)**	(743,922)

Number of shares:

	Year ended 31 December	
	2020	2019
Weighted average number of ordinary shares for the purpose of basic loss per share	**824,816,637**	783,624,056

(b) Diluted

The Company granted share options on 14 May 2018 and granted RSUs on 16 November 2020 as set out in Note 32. The computation of diluted loss per share for the year ended 31 December 2020 and 31 December 2019 do not assume the exercise of the Company's outstanding share options and RSUs as this would result in a decrease in loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

12. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

Directors and supervisors

Details of the emoluments paid or payable to the directors and the chief executive and supervisors of the Company for the services provided to the Group during both years are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Performance bonus RMB'000 *(Note j)*	Retirement benefit scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
For the year ended 31 December 2020						
Chief executive and executive director						
Dr. Li Ning	–	7,637	17,990	18	1,415	27,060
Executive directors						
Mr. Xiong Jun	–	4,966	2,541	67	744	8,318
Dr. Feng Hui	–	3,046	1,350	27	744	5,167
Mr. Zhang Zhuobing	–	3,757	1,401	68	744	5,970
Dr. Yao Sheng	–	3,106	1,350	–	1,814	6,270
Dr. Wu Hai *(Note a)*	–	2,015	33,415	–	–	35,430
Non-executive directors						
Mr. Tang Yi	–	–	–	–	–	–
Mr. Li Cong	–	–	–	–	–	–
Mr. Yi Qingqing	–	–	–	–	–	–
Mr. Lin Lijun	–	–	–	–	–	–
Dr. Wu Hai *(Note a)*	–	–	–	–	–	–
Supervisors						
Ms. Wang Pingping	–	–	–	–	–	–
Mr. Wu Yu	–	–	–	–	–	–
Ms. Nie Anna *(Note b)*	–	197	250	17	–	464
Ms. Li Ruolin	–	240	199	30	–	469
Mr. Liu Jun	–	–	–	–	–	–
Mr. Fu Cexiong *(Note d)*	–	211	–	–	–	211
Independent non-executive directors						
Dr. Chen Lieping	5,431	–	–	–	–	5,431
Dr. He Jia *(Note e)*	118	–	–	–	–	118
Mr. Chen Xinjun *(Note f)*	–	–	–	–	–	–
Mr. Qian Zhi	200	–	–	–	–	200
Dr. Roy Steven Herbst	2,025	–	–	–	–	2,025
Dr. Jiang Hualiang *(Note g)*	42	–	–	–	–	42
Mr. Zhang Chun *(Note h)*	106	–	–	–	–	106
	7,922	25,175	58,496	227	5,461	97,281

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Directors and supervisors (Continued)

	Fees RMB'000	Salaries and other benefits RMB'000	Performance bonus RMB'000 *(Note j)*	Retirement benefit scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
For the year ended 31 December 2019						
Chief executive and executive director						
Dr. Li Ning	–	6,809	660	3	–	7,472
Executive directors						
Mr. Xiong Jun	–	3,672	720	103	–	4,495
Dr. Feng Hui	–	2,997	692	24	–	3,713
Mr. Zhang Zhuobing	–	2,731	600	103	–	3,434
Dr. Wu Hai	–	2,768	692	–	–	3,460
Dr. Yao Sheng	–	2,768	692	–	–	3,460
Non-executive directors						
Mr. Tang Yi	–	–	–	–	–	–
Mr. Li Cong	–	–	–	–	–	–
Mr. Yi Qingqing	–	–	–	–	–	–
Mr. Lin Lijun	–	–	–	–	–	–
Supervisors						
Mr. Gao Yucai *(Note i)*	–	139	35	29	166	369
Mr. Liu Hongchuan *(Note i)*	–	165	160	36	199	560
Ms. Wang Pingping	–	–	–	–	–	–
Mr. Yan Jiawei *(Note i)*	–	–	–	–	–	–
Mr. Wu Yu	–	–	–	–	–	–
Ms. Nie Anna *(Note b)*	–	82	–	27	–	109
Ms. Li Ruolin *(Note b)*	–	125	–	35	–	160
Mr. Liu Jun *(Note c)*	–	–	–	–	–	–
Independent non-executive directors						
Dr. Chen Lieping	5,536	–	–	–	–	5,536
Dr. He Jia	266	–	–	–	–	266
Mr. Chen Xinjun	200	–	–	–	–	200
Mr. Qian Zhi	200	–	–	–	–	200
Dr. Roy Steven Herbst	2,076	–	–	–	–	2,076
	8,278	22,256	4,251	360	365	35,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

12. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Directors and supervisors (Continued)

Notes:

(a) Mr. Wu Hai re-designated from executive director to non-executive director in October 2020. The salary and other benefits represent emoluments served as executive director.

(b) Ms. Nie Anna and Ms. Li Ruolin were appointed as supervisors in May 2019. Ms. Nie Anna resigned as supervisor in November 2020.

(c) Mr. Liu Jun was appointed as a supervisor in June 2019.

(d) Mr. Fu Cexiong was appointed as supervisor in November 2020.

(e) Dr. He Jia resigned as independent non-executive director in June 2020.

(f) Mr. Chen Xinjun resigned as independent non-executive director in November 2020.

(g) Dr. Jiang Hualiang was appointed as independent non-executive director of the Company in November 2020.

(h) Mr. Zhang Chun was appointed as independent non-executive director of the Company in June 2020.

(i) Mr. Gao Yucai, Mr. Liu Hongchuan and Mr. Yan Jiawei resigned as supervisors in April 2019.

(j) The performance bonus are determined by the board of directors based on the Group's performance for the years ended 31 December 2020 and 2019.

The executive directors' and supervisors' emoluments shown above were for their services in connection with the management or supervision of the affairs of the Company and the Group.

The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or chief executive waived or agreed to waive any remunerations during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

12. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Employees

The five highest paid individuals of the Group during the year included four (2019: five) directors, chief executive and supervisors of the Company.

Details of their emoluments are set out above. The emoluments of the remaining one (2019: nil) highest paid employee who is neither a director nor chief executive nor supervisor of the Company are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries and other benefits	**1,811**	–
Performance bonus	**5,900**	–
Retirement benefit scheme contributions	**34**	–
	7,745	–

Emoluments of the five highest paid individuals fell within the following bands:

	Year ended 31 December	
	2020	2019
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**–**	1
HK$5,000,001 to HK$5,500,000	**–**	1
HK$6,000,001 to HK$6,500,000	**–**	1
HK$7,000,001 to HK$7,500,000	**1**	–
HK$8,000,001 to HK$8,500,000	**–**	1
HK$8,500,001 to HK$9,000,000	**1**	–
HK$9,500,001 to HK$10,000,000	**1**	–
HK$31,000,001 to HK$31,500,000	**1**	–
HK$40,500,001 to HK$41,000,000	**1**	–

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

13. DIVIDENDS

No dividend was paid or declared by the Company during the years ended 31 December 2020 and 2019, nor has any dividend been declared since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

14. PROPERTY, PLANT AND EQUIPMENT

	Properties situated on leasehold land in the PRC	Machinery	Furniture, fixtures and equipment	Transportation equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2019	65,548	183,286	52,187	20,421	4,573	676,860	1,002,875
Additions	12,752	11,974	48,769	7,938	9,624	839,837	930,894
Transfer	728	15,288	10,487	–	–	(26,503)	–
Disposals	–	(40)	(1,579)	(214)	–	–	(1,833)
Exchange realignment	–	–	(84)	–	–	(1)	(85)
At 31 December 2019	79,028	210,508	109,780	28,145	14,197	1,490,193	1,931,851
Additions	102,635	6,038	38,644	1,029	12,338	493,866	654,550
Transfer	704,785	699,860	156,842	5,224	–	(1,566,711)	–
Disposals	–	(2,133)	(670)	–	–	–	(2,803)
Exchange realignment	–	–	161	–	–	–	161
At 31 December 2020	**886,448**	**914,273**	**304,757**	**34,398**	**26,535**	**417,348**	**2,583,759**
DEPRECIATION							
At 1 January 2019	3,478	28,161	23,078	7,070	1,747	–	63,534
Provided for the year	3,422	17,951	12,670	4,425	3,216	–	41,684
Disposals	–	(26)	(930)	(192)	–	–	(1,148)
Exchange realignment	–	–	(87)	–	–	–	(87)
At 31 December 2019	6,900	46,086	34,731	11,303	4,963	–	103,983
Provided for the year	28,085	57,829	34,260	5,073	8,336	–	133,583
Disposals	–	(1,622)	(447)	–	–	–	(2,069)
Exchange realignment	–	–	107	–	–	–	107
At 31 December 2020	**34,985**	**102,293**	**68,651**	**16,376**	**13,299**	**–**	**235,604**
CARRYING VALUES							
At 31 December 2020	**851,463**	**811,980**	**236,106**	**18,022**	**13,236**	**417,348**	**2,348,155**
At 31 December 2019	72,128	164,422	75,049	16,842	9,234	1,490,193	1,827,868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis after taking into account of the residual value as follows:

Properties situated on leasehold land in the PRC	4.75% per annum
Machinery	9.50% – 31.67% per annum
Furniture, fixtures and equipment	19.00% – 31.67% per annum
Transportation equipment	19.00% – 31.67% per annum
Leasehold improvement	33.33% – 50.00% per annum

As at 31 December 2020, certain of the Group's property, plant and equipment with an aggregate carrying amount of RMB1,716,673,000 (2019: RMB1,607,916,000) have been pledged to secure bank borrowings (Note 25) granted to the Group.

The Group has obtained the property ownership certificate for all properties except for certain properties with carrying amount of RMB96,491,000 (2019: nil) in which the Group is in the process of obtaining.

15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2020			
Carrying amount	**131,069**	**55,170**	**186,239**
As at 31 December 2019			
Carrying amount	**136,628**	**42,890**	**179,518**
For the year ended 31 December 2020			
Depreciation charge	**5,559**	**26,681**	**32,240**
Capitalised in construction in progress	**(3,495)**	**–**	**(3,495)**
	2,064	**26,681**	**28,745**
For the year ended 31 December 2019			
Depreciation charge	4,752	15,811	20,563
Capitalised in construction in progress	(3,495)	–	(3,495)
	1,257	15,811	17,068

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

15. RIGHT-OF-USE ASSETS (CONTINUED)

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Expenses relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16	**7,441**	5,159
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	**151**	647
Total cash outflow for leases	**38,323**	90,334
Additions to right-of-use assets	**38,961**	76,949

For both years, the Group leases leasehold lands and leased properties for its operations. Except for lease contracts for leasehold lands which are entered into for a fixed term of 20 to 50 years, lease contracts for leased properties are entered into for fixed term of one to four years (2019: one to five years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group, owns several industrial buildings where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for properties. As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

As at 31 December 2020, certain of the Group's right-of-use assets with an aggregate carrying amount of RMB58,862,000 (2019: RMB62,425,000) have been pledged to secure bank borrowings (Note 25) granted to the Group.

As at 31 December 2020, the Group entered into new leases for several properties that have not yet commenced, with average non-cancellable period ranging from one to three years (2019: one to five years), the total future undiscounted cash flows over the non-cancellable period amounted to RMB37,280,000 (2019: RMB10,997,000)

Details of the lease maturity analysis of lease liabilities are set out in Note 28 and 37b.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

16. INTANGIBLE ASSETS

	Computer software RMB'000	In-license RMB'000 *(Note)*	Patent RMB'000	Total RMB'000
COST				
At 1 January 2019	1,632	–	–	1,632
Additions	5,907	–	–	5,907
At 31 December 2019	7,539	–	–	7,539
Additions	6,855	19,811	98	26,764
At 31 December 2020	**14,394**	**19,811**	**98**	**34,303**
AMORTISATION				
At 1 January 2019	177	–	–	177
Additions	1,071	–	–	1,071
At 31 December 2019	1,248	–	–	1,248
Additions	2,029	–	7	2,036
At 31 December 2020	**3,277**	**–**	**7**	**3,284**
CARRYING VALUES				
At 31 December 2020	**11,117**	**19,811**	**91**	**31,019**
At 31 December 2019	6,291	–	–	6,291

The above intangible assets with finite useful lives are amortised on a straight-line basis as follow:

Computer software	20% – 50% per annum
Patent	10% per annum

Note: On 28 August 2020, the Group entered into an in-license agreement with an independent third party under which the Group was granted a world-wide exclusive, sub-licensable license to use certain technology, for the purpose of conducting preclinical development, clinical research and commercialisation of certain drug. The Group paid an upfront payment of RMB19,811,000 and such payment was capitalised as intangible asset. The management is of the view that the intangible asset is not yet available for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

17. INTERESTS IN JOINT VENTURES

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of investments in joint ventures	**1,000**	1,000
Share of post-acquisition profits	**21**	22
	1,021	1,022

Details of the Group's interests in joint ventures are as follows:

Name of entity	Form of entity	Country of establishment	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
				As at 31 December 2020	As at 31 December 2019	**As at 31 December 2020**	As at 31 December 2019	
Beijing Tianshi Pharmaceutical Technology Co., Ltd.* (北京天實醫藥科技有限公司)	Limited liability company	The PRC	The PRC	**50%**	50%	**50%**	50%	Inactive
Suzhou Kebo Ruijun Biosciences Co., Ltd.* (蘇州科博瑞君生物醫藥科技有限公司) *(Note)*	Limited liability company	The PRC	The PRC	**50%**	N/A	**50%**	N/A	Inactive

Note: As at 31 December 2020, the joint venture has been incorporated and no capital was injected by the Group.

Summarised financial information of joint venture

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of joint venture (Continued)

Beijing Tianshi Pharmaceutical Technology Co., Ltd.

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets	**2,042**	2,044

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss for the year	**(2)**	(10)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Net assets of the joint venture	**2,042**	2,044
Proportion of the Group's ownership interest in the joint venture	**50%**	50%
Carrying amount of the Group's interest in a joint venture	**1,021**	1,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

18. INTERESTS IN ASSOCIATES

On 19 March 2019, the Group acquired 36.71% equity interest of Suzhou Rui Ming Bioscience Technology Limited* ("SRBT") for a cash consideration of RMB2,900,000. On December 2020, the Group disposed its entire interest in SRBT. On 11 September 2019, the Group acquired 20% equity interest of Anwita Biosciences, Inc. ("Anwita") for a cash consideration of USD10,000,000 (equivalent to RMB70,846,000).

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of investments in associates	**70,846**	73,746
Share of post-acquisition losses	**(5,696)**	(2,522)
	65,150	71,224

Details of each of the Group's associates at the end of the reporting period are as follow:

Name of entity	Form of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
				As at 31 December 2020	As at 31 December 2019	**As at 31 December 2020**	As at 31 December 2019	
SRBT (蘇州睿明生物技術有限公司)	Limited liability company	The PRC	The PRC	**N/A**	36.71%	**N/A**	36.71%	Provision of research and development and consultancy service
Anwita	Limited liability company	The USA	The USA	**20%**	20%	**20%**	20%	Provision of research and development service
Shanghai Junpai Yingshi Pharmaceutical Co., Ltd.* ("JPYP") (上海君派英實藥業有限公司) *(Note)*	Limited liability company	The PRC	The PRC	**50%**	N/A	**50%**	N/A	Inactive
Suzhou Junjing Biomedical Technology Co., Ltd.* (蘇州君境生物醫藥科技有限公司) *(Note)*	Limited liability company	The PRC	The PRC	**50%**	N/A	**50%**	N/A	Inactive

Note: As at 31 December 2020, the associates have been incorporated and no capital was injected by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

All of these associates are accounted for using equity method in these consolidated financial statements.

Anwita

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets	**47,815**	73,904
Non-current assets	**13,159**	9,295
Current liabilities	**(7,466)**	(4,008)
Non-current liabilities	**(343)**	(3,182)

	Year ended 31 December 2020	From 11 September 2019 to 31 December 2019
	RMB'000	RMB'000
Revenue	**14,176**	–
Loss and total comprehensive expense for the year/period	**(18,602)**	(9,876)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate (Continued)

Anwita (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Net assets of Anwita	**53,165**	76,009
Proportion of the Group's ownership interest in Anwita	**20%**	20%
The Group's share of net assets of Anwita	**10,633**	15,202
Goodwill	**55,010**	55,010
Exchange adjustments	**(493)**	(1,341)
Carrying amount of the Group's interest in Anwita	**65,150**	68,871

The management of the Group considers the operation and performance of Anwita is in accordance with the business plan, there is no indicator for impairment for Anwita.

In December 2020, the Group disposed the entire interest of SRBT to a third party for proceeds of RMB2,900,000. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	RMB'000
Proceeds of disposal	**2,900**
Less: carrying amount of SRBT's 20% investment on the date of loss of significant influence	**(2,270)**
Gain on disposal	**630**

19. INVENTORIES

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Raw materials	**277,288**	129,081
Work in progress	**31,887**	35,004
Finished goods	**34,250**	16,581
	343,425	180,666

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

20. TRADE RECEIVABLES

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables	**589,207**	157,505
Trade receivables backed by bank bills	**74,116**	–
	663,323	157,505
Less: Allowance for credit losses	**–**	(89)
	663,323	157,416

The trade receivables and trade receivables backed by bank bills are receivables from contracts with customers.

As at 1 January 2019, the Group has no trade receivables and trade receivables backed by bank bills from contracts with customers.

The aged analysis of the Group's trade receivables and trade receivables backed by bank bills, based on invoice date, at the end of each reporting period are as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
0 – 30 days	**573,437**	96,647
31 – 90 days	**27,876**	60,235
91 – 180 days	**61,103**	534
Over 180 days	**907**	–
	663,323	157,416

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB61,583,000 (2019: RMB8,540,000) which are past due as at the reporting date. Out of the past due balances, no trade receivables has been past due 90 days or more for both years.

As at 31 December 2020, total bills received amounting to RMB74,116,000 (2019: nil) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

Details of impairment assessment of trade receivables and trade receivables backed by bank bills are set out in Note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

21. OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Deposits		
– current	**24,523**	4,548
– non-current	**12,754**	8,584
Prepayments		
– current *(Note a)*	**265,524**	300,927
– non-current *(Note b)*	**130,674**	201,156
Amount due from a partner of a joint operation *(Note c)*		
– current	**1,176**	6,099
Deposits for leasehold interest in land *(Note d)*		
– current	**2,715**	5,430
Value added tax ("VAT") recoverable *(Note e)*		
– current	**13,948**	25,371
– non-current	**154,297**	125,726
Deferred issue costs *(Note f)*		
– current	**–**	10,376
	605,611	688,217
Less: Allowance for credit losses	**(932)**	(588)
	604,679	687,629
Analysis as		
– current	**306,954**	352,163
– non-current	**297,725**	335,466
	604,679	687,629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

21. OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) 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.

(b) Amount represents prepayments for construction in progress and acquisition of property and plant.

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

(d) 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, of total amount of RMB8,159,000 was refunded upon the commencement of the construction in August 2017. 20% of the deposit of RMB2,715,000 was refunded upon completion of the construction in December 2020. 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 31 December 2020.

(e) Included in VAT recoverable are RMB13,948,000 (2019: RMB25,371,000) presented as current assets as at 31 December 2020 since they are expected to be deducted from future VAT payable arising on the Group's revenue which are expected to be generated within the next twelve months from the end of the reporting period. The remaining VAT recoverable of RMB154,297,000 (2019: RMB125,726,000) are therefore presented as non-current assets as at 31 December 2020.

(f) The amount represented deferred issue costs for the Company's application for the listing on the STAR Market of the Shanghai Stock Exchange during the year ended 31 December 2019.

Details of impairment assessment of other receivables are set out in Note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

22. OTHER FINANCIAL ASSETS

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets		
Financial assets measured at FVTPL		
– Fund	**17**	17
Non-current assets		
Financial assets measured at FVTPL		
– Unlisted equity investment in partnership *(Note a)*	**77,030**	–
– Unlisted equity investments *(Note b)*	**133,007**	69,345
– Investments in preference shares *(Note c)*	**146,688**	–
	356,725	69,345

Notes:

(a) The amount represents unlisted equity investment in limited partnership enterprise ("Partnership Enterprise"), which is specialised in making equity investment. According to the Partnership Enterprise agreement, the Group does not have any right on making operating, investing and financing decisions of the Partnership Enterprise.

(b) The amounts represent unlisted equity interest in entities established in the PRC which are mainly engaged in drug discovery. These investments are not held for trading but for long-term strategic purposes.

(c) The amounts represent investments in preference shares in unlisted entities established in the PRC, the USA and the Cayman Islands, which are mainly engaged in drug discovery. For the investment in preference shares in an unlisted entity established in the Cayman Islands with fair value of RMB68,199,000, one out of seven members in the board of directors is designated by the Group.

23. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

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

Bank balances and cash of the Group comprised of 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 0.01% to 3.3% per annum at 31 December 2020 (2019: from 0.3% to 3.6% per annum).

Details of the impairment assessment of restricted bank deposits and bank balances are set out in Note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

24. TRADE AND OTHER PAYABLES

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables	**90,706**	74,616
Accrued expenses in respect of:		
– construction costs of construction in progress	**106,018**	112,561
– research and development expenses *(Note a)*	**215,933**	98,561
– selling and distribution expenses	**31,656**	14,979
– payment to Licensor *(Note b)*	**210,552**	–
– payment to a collaboration party under collaboration agreement *(Note c)*	**30,149**	–
– others	**48,330**	30,004
Accrual for healthcare program	**64,354**	–
Salary and bonus payables	**205,026**	113,311
Other tax payables	**19,620**	10,409
Payables for issue costs	**–**	13,565
Capital contribution payable to an investment in preference shares *(Note d)*	**68,199**	–
Non-refundable deposit received from sub-license agreement *(Note 40)*	**32,625**	–
Other payables	**91,848**	46,633
	1,215,016	514,639

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

	At 31 December	
	2020	2019
	RMB'000	RMB'000
0 – 30 days	**74,433**	58,726
31 – 60 days	**4,316**	2,946
61 – 180 days	**2,009**	11,426
Over 180 days	**9,948**	1,518
	90,706	74,616

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For the year ended December 31, 2020

24. TRADE AND OTHER PAYABLES (CONTINUED)

Notes:

(a) Amounts included service fees payable to outsourced service providers including contract research organisations and clinical trial centres.

(b) Under the License Agreement as set out in Note 5, the Licensor is entitled to portion of sub-licensing income received by the Group from the Licensee. Amount represents sub-license income accrual to Licensor at the end of reporting period, which is repayable upon 30 days after issuance of invoice.

(c) Amount represents payable to a collaboration party for co-development of certain pharmaceutical products.

(d) Amount represents capital contribution payable to an investment in preference shares as set out in Note 22.

25. BORROWINGS

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Bank borrowings		
– secured	**774,568**	746,085
– unsecured	**20,000**	75,702
	794,568	821,787
The maturity profile of bank borrowings is as follows:		
– within one year	**252,346**	76,891
– within a period of more than one year but not exceeding two years	**542,222**	–
– within a period of more than two years but not exceeding five years	**–**	744,896
	794,568	821,787
Less: Amount due within one year shown under current liabilities	**(252,346)**	(76,891)
Amount shown under non-current liabilities	**542,222**	744,896

All bank borrowings are carried at fixed-rate and denominated in RMB as at 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

25. BORROWINGS (CONTINUED)

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	At 31 December	
Effective interest rate:	**2020**	2019
Fixed-rate bank borrowings	**3.75% – 5.23% per annum**	4.35% – 5.23% per annum

The Group has pledged the following assets as securities for the Group's bank borrowings at the end of reporting period:

	2020	2019
	RMB'000	RMB'000
Property, plant and equipment	**1,716,673**	1,607,916
Right-of-use assets	**58,862**	62,425
	1,775,535	1,670,341

26. CONVERTIBLE LOAN NOTES

On 5 July 2019, the Group exercise its right to redeem all the convertible loan notes from the bondholders. The convertible loan notes were redeemed with total amount of RMB228,242,800 (including principal and interest upon redemption date).

The movement of the convertible loan notes for the year ended 31 December 2019 is set out as below:

	Fair value of convertible loan notes RMB'000
At 1 January 2019	241,763
Change in fair value credited to profit or loss (Note 7)	(13,520)
Payment of interests	(28,243)
Redemption of convertible loan notes	(200,000)
At 31 December 2019	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

27. DEFERRED INCOME

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Government grants related to property, plant and equipment *(Note a)*	**71,506**	35,795
Other subsidies *(Note b)*	**32,303**	20,525
	103,809	56,320
Analysis as:		
– non-current	**103,809**	56,320

Notes:

(a) The Group received government grants for capital expenditure incurred for the acquisition of buildings situated on leasehold land in the PRC and machineries. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

(b) Other subsidies are generally provided in relation to the research and development activities of the Group which are recognised as income upon meeting the specific conditions.

28. LEASE LIABILITIES

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**25,220**	13,846
Within a period of more than one year but not more than two years	**16,942**	11,042
Within a period of more than two years but not more than five years	**14,049**	16,290
	56,211	41,178
Less: Amount due for settlement with 12 months shown under current liabilities	**(25,220)**	(13,846)
Amount due for settlement after 12 months shown under non-current liabilities	**30,991**	27,332

The weighted average incremental borrowing rate applied to lease liabilities is 5.22% (2019: 5.22%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. DEFERRED TAXATION

The following is a summary of the deferred tax balances for financial reporting purposes:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred tax assets	**26,113**	20,590

The following are the major deferred tax assets recognised and movements thereon before offsetting during the current and prior years.

	ECL provision	**Inventory**	**Deferred income**	**Unused tax losses**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	4	–	–	1,284	1,288
Credited to profit or loss	23	–	939	18,340	19,302
At 31 December 2019	27	–	939	19,624	20,590
(Charged) credited to profit or loss	(21)	468	(117)	5,193	5,523
At 31 December 2020	**6**	**468**	**822**	**24,817**	**26,113**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

29. DEFERRED TAXATION (CONTINUED)

As at 31 December 2020, the Group had deductible temporary differences and unused tax losses of RMB392,746,000 (2019: RMB41,463,000) and RMB3,691,921,000 (2019: RMB2,073,125,000), respectively, available for offset against future profits. A deferred tax asset has been recognised in respect of RMB6,432,000 (2019: RMB3,864,000) and RMB161,956,000 (2019: RMB97,684,000) of such deductible temporary differences and tax losses respectively as at 31 December 2020. Balance of deductible temporary differences and unused tax losses for which no deferred tax assets have been recognised due to the unpredictability of future profit streams are as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Accrued expenses	**304,327**	–
Share-based payment expenses	**39,207**	10,980
Deferred income	**35,720**	23,764
Tax losses	**3,529,965**	1,975,441
Others	**7,060**	2,855
	3,916,279	2,013,040

The unused tax losses for the PRC subsidiaries of RMB3,482,986,000 (2019: RMB1,965,938,000) will be expired in next ten years.

At the end of reporting period, the Group has net operating loss in the USA carry forwards for federal income tax purposes of RMB46,979,000 (2019: RMB9,503,000) that are available to offset future profits. As at 31 December 2020 and 2019, all tax losses may carry forward indefinitely under the Act but subject to certain limitations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. SHARE CAPITAL

	Total number of shares	Amount RMB'000
Registered, issued and fully paid at RMB1.0 per share:		
At 1 January 2019	760,310,000	760,310
H shares issued upon over-allotment options exercised *(Note a)*	23,836,500	23,837
At 31 December 2019	784,146,500	784,147
A shares issued upon listing on the STAR Market *(Note b)*	87,130,000	87,130
Exercise of share options *(Note 32)*	1,219,500	1,219
At 31 December 2020	**872,496,000**	**872,496**

Notes:

(a) 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.

(b) On 15 July 2020, the Company completed an issued 87,130,000 A shares at RMB55.50 per share for a total gross proceeds of RMB4,835,715,000 from the listing on the STAR Market of the Shanghai Stock Exchange. The proceeds of RMB87,130,000 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of RMB4,748,585,000 were credited to share premium account of the Company. On the same date, the Company's A shares were listed on the STAR Market of the Shanghai Stock Exchange.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

31. CAPITAL AND OTHER COMMITMENTS

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– acquisition of property, plant and equipment	**387,582**	427,095
Other commitments in respect of:		
– investment in a joint venture	**15,000**	–
– investments in associates	**125,000**	–
	140,000	–

32. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme

On 12 March 2018, the Company entered into share incentive agreement 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 "Share Option 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 including but 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 exercisable.

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For the year ended December 31, 2020

32. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

Other than the amendments to the Share Option Scheme ("Amended Share Option 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 Share Option Scheme") was passed in the Annual General Meeting of the Company and was approved by the board of directors. The expiry date of each unvested tranche was extended for additional 9 months and 4 days to the Second Amended Share Option Scheme. The change of fair value of the share options at the date of modification resulting from the Amended Share Option Scheme and Second Amended Share Option 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 Share Option Scheme.

As at 31 December 2020, the number of options which remain outstanding under the Share Option Scheme was 3,666,700 (2019: 5,213,000) which, if exercise in full, representing 0.42% (2019: 0.66%) of the shares of the Company in issue at that date.

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

For the year ended 31 December 2020

						Number of share options				
Date of grant	Exercise price RMB	Vesting date (before Second Amended Option Scheme)	Vesting date (after Second Amended Option Scheme)	Expiry date (before Second Amended Option Scheme)	Expiry date (after Second Amended Option Scheme)	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2020
14 May 2018	9.20	12 March 2019	12 March 2019	12 March 2020	15 December 2020	1,303,250	–	(1,219,500)	(83,750)	–
14 May 2018	9.20	12 March 2020	16 December 2020	12 March 2021	15 December 2021	1,824,550	–	–	(113,050)	1,711,500
14 May 2018	9.20	12 March 2021	16 December 2021	12 March 2022	15 December 2022	2,085,200	–	–	(130,000)	1,955,200
						5,213,000	–	(1,219,500)	(326,800)	3,666,700
Exercisable at the end of the year										1,711,500
Weighted average exercise price (RMB)							–	9.20	9.20	9.20

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For the year ended December 31, 2020

32. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

For the year ended 31 December 2019

						Number of share options			
Date of grant	Exercise price RMB	Vesting date (before Amended Share Option Scheme)	Vesting date (after Amended Share Option Scheme)	Expiry date (before Amended Share Option Scheme)	Expiry date (after Amended Share Option Scheme)	Outstanding at 1 January 2019	Granted during the year	Forfeited during the year	Outstanding at 31 December 2019
14 May 2018	9.20	12 March 2019	12 March 2019	12 March 2019	12 March 2020	1,449,500	–	(146,250)	1,303,250
14 May 2018	9.20	12 March 2020	12 March 2020	12 March 2020	12 March 2021	2,029,300	–	(204,750)	1,824,550
14 May 2018	9.20	12 March 2021	12 March 2021	12 March 2021	12 March 2022	2,319,200	–	(234,000)	2,085,200
						5,798,000	–	(585,000)	5,213,000
Exercisable at the end of the year									1,303,250
Weighted average exercise price (RMB)						9.20	–	9.20	9.20

In respect of the share options exercised during the year, the weighted average share price of A shares at the date of exercise was RMB77.83.

During the year ended 31 December 2020, total share-based payment expenses of RMB6,158,000 (2019: RMB11,797,000) (net of RMB391,000 (2019: RMB3,841,000) capitalised in cost of construction in progress) have been recognised in profit or loss.

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32. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Restricted A Share Incentive Scheme

Pursuant to a resolution passed on 16 November 2020, the Company adopted the Restricted A Share Incentive Scheme (the "Restricted A Share Scheme") for the purpose of attract and retain the Group's personnel and to ensure the Group's development strategy and business goals. Eligible persons including but not limited to the Group's directors, senior management and employees. Under the Restricted A Share Scheme, 28,519,000 RSUs are granted to eligible persons. The RSUs are vested as follows:

On 1st anniversary of the first trading day following the end of the 12 months from 16 November 2020	40% vest
On 2nd anniversary of the first trading day following the end of the 24 months from 16 November 2020	further 30% vest
On 3rd anniversary of the first trading day following the end of the 36 months from 16 November 2020	remaining 30% vest

Movement in the number of RSUs granted under the Restricted A Share Scheme is as follows:

			Number of RSUs			
Date of grant	Vesting date	Expiry Date	Outstanding at 1 January 2020	Granted during the year	Forfeited during the year	Outstanding at 31 December 2020
16 November 2020	16 November 2021	16 November 2022	–	11,407,600	–	11,407,600
16 November 2020	16 November 2022	16 November 2023	–	8,555,700	–	8,555,700
16 November 2020	16 November 2023	16 November 2024	–	8,555,700	–	8,555,700
Total			–	28,519,000	–	28,519,000

During the year ended 31 December 2020, share-based payment expense of RMB24,570,000 (net of RMB995,000 capitalised in cost of construction in progress) has been recognised in profit or loss.

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33. RETIREMENT BENEFIT SCHEMES

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the relevant local government. The Company's subsidiaries situated in the PRC are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions.

The Group's subsidiary in the US adopted a defined contributions plan pursuant to which the Group matches 50 cents for every dollar contributed by each qualifying member of staff up to 4% of their salaries. The maximum match is 2% of the qualifying member of staff's gross pay.

During the year ended 31 December 2020, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represents contributions paid or payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefits scheme contributions incurred by the Group for employees in the PRC amounted to RMB26,895,000 (2019: RMB38,748,000) while retirement benefits scheme contributions incurred for employees in the United States amounted to RMB1,257,000 (2019: RMB1,079,000).

34. RELATED PARTY DISCLOSURES

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position, the Group had also entered into the following transactions with related parties:

(a) Research and development expense incurred

	Year ended 31 December	
Name of related parties	**2020**	2019
	RMB'000	RMB'000
Beijing Zhengdan International Technology Co., Ltd.* ("BJZD") *(Note)*	**–**	840
United-Power Pharma Tech Co., Ltd ("UPPT") *(Note)*	**–**	11,115
Anwita	**13,156**	–
	13,156	11,955

Note: UPPT was an associate of 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, BJZD and UPPT are no longer related parties of the Group.

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For the year ended December 31, 2020

34. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Interest expense incurred

	Year ended 31 December	
Name of related party	**2020**	2019
	RMB'000	RMB'000
Shenzhen Qianhai Hehong Investment Co., Ltd.* ("QHHH") (深圳市前海和弘投資有限公司)	**–**	456

Note: QHHH is an entity controlled by Mr. Xiong Jun, the chairman and executive director of the Group.

(c) Expense paid on behalf of

	Year ended 31 December	
Name of related party	**2020**	2019
	RMB'000	RMB'000
JPYP	**159**	–

(d) Compensation of directors and key management personnel

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Short-term benefits and performance bonus	**115,029**	42,711
Share-based payment expenses	**6,928**	403
Post-employment benefits	**518**	675
	122,475	43,789

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

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35. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at 31 December 2020 and 2019 are set out below.

Name of subsidiaries	Place of operation/ establishment, date of incorporation and form of legal entity	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Company		Principal activities
			As at 31 December 2020	As at 31 December 2019	
Directly held:					
Shanghai Junshi Biotechnology Co., Ltd.* (上海君實生物工程有限公司)	The PRC 29 June 2016 Limited liability company	Registered capital of RMB1,000,000,000 and paid-up capital of RMB805,000,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd.* (江蘇眾合醫藥科技有限公司)	The PRC 1 April 2013 Limited liability company	Registered capital of RMB60,000,000 and paid-up capital of RMB45,000,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Suzhou Junmeng Biosciences Co., Ltd.* (蘇州君盟生物醫藥科技有限公司)	The PRC 12 October 2013 Limited liability company	Registered capital of RMB600,000,000 and paid-up capital of RMB405,000,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Taizhou Junshi Biosciences Co., Ltd.* (泰州君實生物醫藥科技有限公司)	The PRC 9 May 2014 Limited liability company	Registered capital of RMB5,000,000 and paid-up capital of RMB Nil	100%	100%	Discovery, development and commercialisation of innovative drugs
Suzhou Union Biopharm Biosciences Co., Ltd.* (蘇州眾合生物醫藥科技有限公司)	The PRC 12 October 2013 Limited liability company	Registered capital of RMB750,000,000 and paid-up capital of RMB672,500,000	100%	100%	Discovery, development and commercialisation of innovative drugs

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35. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of operation/ establishment, date of incorporation and form of legal entity	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Company		Principal activities
			As at 31 December 2020	As at 31 December 2019	
Suzhou Junshi Biosciences Co., Ltd.* (蘇州君實生物醫藥科技有限公司)	The PRC 26 July 2017 Limited liability company	Registered capital of RMB500,000,000 and paid-up capital of RMB155,419,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Shenzhen Qianhai Junshi Hospital Investment Management Co., Ltd* (深圳前海君實醫院投資管理有限公司)	The PRC 11 December 2015 Limited liability company	Registered capital of RMB50,000,000 and paid-up capital of RMB Nil	51%	51%	Discovery, development and commercialisation of innovative drugs
TopAlliance Biosciences Inc.	The United States 6 March 2013	Registered capital of USD50,000,000 (equivalent to RMB326,563,000) and paid-up capital of USD50,000,000 (equivalent to RMB326,563,000)	100%	100%	Discovery, development and commercialisation of innovative drugs
Indirectly held:					
Beijing Union Biopharm Junshi Biosciences Co., Ltd.* (北京眾合君實生物醫藥科技有限公司)	The PRC 12 June 2016 Limited liability company	Registered capital of RMB25,000,000 and paid-up capital of RMB11,200,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Suzhou Junao Medicine Co., Ltd.* (蘇州君奧精準醫學有限公司)	The PRC 10 January 2018 Limited liability company	Registered capital of RMB300,000,000 and paid-up capital of RMB48,252,000	100%	100%	Discovery, development and commercialisation of innovative drugs

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35. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of operation/ establishment, date of incorporation and form of legal entity	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Company		Principal activities
			As at 31 December 2020	As at 31 December 2019	
Suzhou Junshi Biotechnology Co., Ltd.* (蘇州君實生物工程有限公司)	The PRC 19 June 2018 Limited liability company	Registered capital of RMB200,000,000 and paid-up capital of RMB73,665,452	100%	100%	Discovery, development and commercialisation of innovative drugs
Junshi Hong Kong Limited (香港君實有限公司)	Hong Kong 23 April 2019 Limited liability company	10,000,000 ordinary shares at HK$1 each	100%	100%	Inactive
Suzhou Junyou Hospital Management Co., Ltd.* (蘇州君佑醫院管理有限公司)	The PRC 17 November 2020 Limited liability company	Register capital of RMB50,000,000 and paid-up capital of RMB Nil	100%	–	Inactive

* The English names are for identification purpose only.

None of the subsidiaries had issued any debt securities at the end of both years or at any time during both years.

The Group does not have any subsidiary with significant non-controlling interests and accordingly, no details are presented.

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36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged throughout the year.

The capital structure of the Group consists of debts, which includes bank borrowings, net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the new shares issues as well as the issue of new debts and redemption of existing debts.

37. FINANCIAL INSTRUMENTS

37a. Categories of financial instruments

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Financial assets		
Amortised cost	**4,088,557**	1,402,343
Financial assets at FVTPL	**356,742**	69,362
Financial liabilities		
Amortised cost	**1,279,634**	910,718

37b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, other financial assets, restricted bank deposits, bank balances and cash, trade and other payables, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The Group has foreign currency bank balances and trade and other payables, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of certain significant foreign currency denominated monetary assets and liabilities other than the functional currency of the entity to which they related at the end of the reporting period are as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Assets		
USD	**608,851**	610,381
HKD	**11**	14
Liabilities		
USD	**(72,394)**	(7,367)
HKD	**–**	(255)
GBP	**(4,036)**	–

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in RMB against USD. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation, for a change in foreign currency rates of 5% for the whole year. A negative number below indicates an increase in loss where RMB strengthens 5% against USD. For a 5% weakening of RMB against USD, there would be an equal and opposite impact on loss for the year. No sensitivity analysis is prepared for HKD and GBP as the directors of the Company consider that the exposure is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Impact on loss for the year		
USD	**(20,117)**	(22,613)

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during both years.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in related to fixed-rate bank borrowings (Note 25) and lease liabilities (Note 28).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate restricted bank deposits and bank balances (Note 23) and deposits for leasehold interests in land (Note 21). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on restricted bank deposits and bank balances. The Group currently does not have interest rate risk hedging policy. However, the directors of the Company closely monitor the exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

Total interest income from financial assets that are measured at amortised cost is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Other income		
Financial assets at amortised cost	**20,278**	29,222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Total interest expense for financial liabilities that are not measured at FVTPL is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Finance costs		
Financial liabilities at amortised cost	**26,312**	11,011

Sensitivity analysis

The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate restricted bank deposits and bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

(iii) Other price risk

The Group is exposed to equity price risk through its unlisted equity investments including in other financial assets (Note 22). The management of the Group monitors the price risk and will consider hedging the risk exposure should the need arises.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis of investments in preference shares and unlisted equity investment with fair value measurement categorised within Level 2, if the fair value of the respective investments had been 5% (2019: 5%) higher/lower, the loss for the year ended 31 December 2020 would decrease/increase by RMB9,230,000 (2019: decrease/increase by RMB2,567,000) as a result of the changes in fair value. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in Note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables, restricted bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets, except that the settlement of certain trade receivables are backed by bills issued by reputable financial institutions.

The Group determines the ECL on these items based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Restricted bank deposits and bank balances

Credit risk on restricted bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for restricted bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted bank deposits and bank balances is considered to be insignificant.

Trade receivables arising from contracts with customers

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed annually. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group only accept bills issued or guaranteed by reputable PRC bank if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from trade receivables backed by bank bills is insignificant. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 64% (2019: 100%) of the total trade receivables as at 31 December 2020. In addition, the Group has concentration of credit risk as 53% (2019: 32%) of the total trade receivables was due from the Group's the five largest customers within the sales of pharmaceutical products segment. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

In addition, the Group performs impairment assessment under ECL model on trade receivable balances not backed by bank bills individually and based on provision matrix. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables not backed by bank bills are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. Impairment reversal of RMB89,000 (2019: recognised impairment of RMB89,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

In determining the ECL for trade receivables backed by bank bills, the management of the Group considers the probability of default is negligible on the basis of high-credit-rating of the bank issuing the bills, and accordingly, no loss allowance made in the consolidated financial statements.

Deposits and other receivables

For deposits and other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2020 and 2019, the Group assessed the ECL for other receivables and deposits and recognised impairment of RMB344,000 (2019: reversed impairment of RMB1,127,000) during the year.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Internal credit rating	Description	Trade receivables	Other financial assets
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
					2020 RMB'000	2019 RMB'000
Financial assets at amortised cost						
Restricted bank deposits	*23*	AA	Low risk	12m ECL	**–**	6,828
Bank balances	*23*	AA	Low risk	12m ECL	**3,384,998**	1,214,026
Deposits and other receivables	*21*	N/A	Low risk	12m ECL	**41,168**	24,661
Trade receivables	*20*					
– not backed by bank bills		N/A	*(Note)*	Lifetime ECL (provision matrix)	**253,512**	99,440
– not backed by bank bills		N/A	Low risk	Lifetime ECL (individually assessed)	**335,695**	58,065
– backed by bank bills		N/A	Low risk	Lifetime ECL (individually assessed)	**74,116**	–
					4,089,489	1,403,020

Note: For trade receivables not backed by bank bills, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating and past due status.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation of sales of pharmaceutical products. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

Gross carrying amount

	2020		2019	
	Average loss rate	**Trade receivables not backed by bank bills RMB'000**	Average loss rate	Trade receivables not backed by bank bills RMB'000
Current (not past due)	**0.01% – 0.1%**	**253,512**	0.01% – 0.1%	90,901
1-30 days past due	**N/A**	**–**	0.1% – 5%	7,989
31-60 days past due	**N/A**	**–**	1.5% – 10%	550
		253,512		99,440

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2020, the directors consider that the ECL allowance of the trade receivables not backed by bank bills with significant balances that were assessed individually is insignificant. The Group reversed RMB89,000 (2019: provided RMB89,000) impairment allowance for trade receivables not backed by bank bills, based on the provision matrix. As at 31 December 2019, impairment allowance of RMB89,000 were made on not credit-impaired debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Gross carrying amount (Continued)

The following table shows the reconciliation of loss, allowances that has been recognised for trade receivables not backed by bank bills under the simplified approach and deposits and other receivables under 12m ECL approach.

	Trade receivables not backed by bank bills (not credit-impaired) RMB'000	Deposits and other receivables (not credit-impaired) RMB'000	Total RMB'000
As at 1 January 2019	–	1,715	1,715
Changes due to financial instruments recognised as at 1 January 2019:			
– Impairment losses reversed	–	(1,127)	(1,127)
– Impairment losses recognised	89	–	89
As at 31 December 2019	89	588	677
Changes due to financial instruments recognised as at 1 January 2020:			
– Impairment losses reversed	(89)	(326)	(415)
New financial assets originated	–	670	670
As at 31 December 2020	**–**	**932**	**932**

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors of the Group monitor the utilisation of bank borrowings and ensure compliance with loan covenants.

The Group relied on borrowings and the issuance of shares as a significant source of liquidity. Details of which are set out in Note 25 and Note 30, respectively.

The following table details the Group remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity table

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020							
Non-derivative financial liabilities							
Trade and other payables	–	485,066	–	–	–	485,066	485,066
Borrowings	5.23	11,336	281,416	582,629	–	875,381	794,568
Lease liabilities	5.22	8,503	23,007	17,770	21,887	71,167	56,211
		504,905	304,423	600,399	21,887	1,431,614	1,335,845
At 31 December 2019							
Non-derivative financial liabilities							
Trade and other payables	–	88,931	–	–	–	88,931	88,931
Borrowings	5.14	50,221	66,454	38,921	782,087	937,683	821,787
Lease liabilities	5.22	4,681	14,194	12,932	16,836	48,643	41,178
		143,833	80,648	51,853	798,923	1,075,257	951,896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (Continued)

Fair value measurements of financial instruments

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

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

	Fair value at				
Financial assets	31 December 2020 RMB'000	31 December 2019 RMB'000	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 investments using discounted cash flow method based on the return from the underlying investments and quoted market price of underlying equity investments	N/A
Unlisted equity investment	1,952	15,000	Level 3	Market comparison approach – in this approach, fair value was determined with reference to Enterprise Value-to-Sales multiple ("EV/S multiple").	Discount rate of 27% (2019: 24%) *(Note a)* and EV/S multiple of 8.69 (2019: 5.44) *(Note b)*, taking into account management's experience and knowledge of market conditions
Unlisted equity investment	3,772	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 27% (2019: 26%) *(Note c)* and P/R&D multiple of 2.80 (2019: 4.70) *(Note d)*, taking into account management's experience and knowledge of market conditions
Unlisted equity investment	89,373	51,345	2020: Level 3 (2019: Level 2)	2020: Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple 2019: Recent transaction price	2020: Discount rate of 26% *(Note e)* and P/R&D multiple of 17.52 *(Note f)*, taking into account management's experience and knowledge of market conditions 2019: N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (Continued)

Fair value measurements of financial instruments (Continued)

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

Financial assets	Fair value at 31 December 2020 RMB'000	Fair value at 31 December 2019 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Unlisted equity investment	37,910	–	Level 2	Recent transaction price	N/A
Investments in preference shares	146,688	–	Level 2	Recent transaction price	N/A
Unlisted equity investment in partnership	77,030	–	Level 3	The fair value is determined based on the share of fair value of the underlying net assets held by the investee	The fair value of the underlying net assets of the investee *(Note g)*

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

Notes:

a. A slight increase in the discount rate used in isolation would result in a slight increase in the fair value measurement of unlisted equity investment, and vice versa. If the discount rate was 0.5% higher/lower to 27.5%/26.5% (2019: 24.5%/23.5%) while holding all other variables constant, the carrying amount of the unlisted equity investment would decrease by RMB13,000 (2019: RMB100,000) or increase by RMB13,000 (2019: RMB100,000) as at 31 December 2020.

b. A slight increase in the EV/S multiple used in isolation would result in a slight increase in the fair value measurement of unlisted equity investment, and vice versa. If the EV/S multiple was 5% higher/lower to 9.12/8.26 (2019: 5.71/5.17) while all other variables constant, the carrying amount of the unlisted equity investment would increase by RMB55,000 (2019: RMB713,000) or decrease by RMB55,000 (2019: RMB713,000) as at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (Continued)

Fair value measurements of financial instruments (Continued)

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

Notes: (Continued)

c. A slight increase in the discount rate used in isolation would result in a slight increase in the fair value measurement of unlisted equity investment, and vice versa. If the discount rate was 0.5% higher/lower to 27.5%/26.5% (2019: 26.5%/25.5%) while holding all other variables constant, the carrying amount of the unlisted equity investment would decrease by RMB26,000 (2019: RMB21,000) or increase by RMB26,000 (2019: RMB21,000) as at 31 December 2020.

d. A slight increase in the P/R&D multiple used in isolation would result in a slight increase in the fair value measurement of unlisted equity investment, and vice versa. If the P/R&D multiple was 5% higher/lower to 2.94/2.66 (2019: 4.93/4.46) while all other variables constant, the carrying amount of the unlisted equity investment would increase by RMB188,000 (2019: RMB157,000) or decrease by RMB188,000 (2019: RMB157,000) as at 31 December 2020.

e. A slight increase in the discount rate used in isolation would result in a slight increase in the fair value measurement of unlisted equity investment, and vice versa. If the discount rate was 0.5% higher/lower to 26.5%/25.5% while holding all other variables constant, the carrying amount of the unlisted equity investment would decrease by RMB604,000 or increase by RMB604,000 as at 31 December 2020.

f. A slight increase in the P/R&D multiple used in isolation would result in a slight increase in the fair value measurement of unlisted equity investment, and vice versa. If the P/R&D multiple was 5% higher/lower to 18.40/16.64 while all other variables constant, the carrying amount of the unlisted equity investment would increase by RMB4,469,000 or decrease by RMB4,469,000 as at 31 December 2020.

g. A slight increase in the fair value of the underlying net assets of the investee would result in a slight increase in the fair value measurement of unlisted equity investment in partnership. If the fair value of the underlying net assets of the investee increase/decrease by 5%, the carrying amount of the unlisted equity investment in partnership would increase/decrease by RMB3,852,000 as at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (Continued)

Fair value measurements of financial instruments (Continued)

(ii) Reconciliation of Level 3 fair value measurements

	Unlisted equity investments RMB'000	Unlisted equity investment in partnership RMB'000	Convertible loan notes designated as at FVTPL RMB'000	Total RMB'000
At 1 January 2019	–	–	(241,763)	(241,763)
Transfer into Level 3 due to change of valuation technique *(Note)*	18,000	–	–	18,000
Change in fair value credited to profit or loss	–	–	13,520	13,520
Payments of interests	–	–	28,243	28,243
Redemption of convertible loan notes	–	–	200,000	200,000
At 31 December 2019 and 1 January 2020	18,000	–	–	18,000
Transfer into Level 3 due to change of valuation technique *(Note)*	51,345	–	–	51,345
Purchased	–	60,000	–	60,000
Disposal	(106)	–	–	(106)
Change in fair value credited to profit or loss	25,858	17,030	–	42,888
At 31 December 2020	**95,097**	**77,030**	**–**	**172,127**

Note: These investments were measured by recent transaction price as at the end of preceding reporting period.

For the year ended 31 December 2019, fair value gain on convertible loan notes designated as at FVTPL of RMB13,520,000 were included in "other gains and losses", in which RMB9,906,000 was capitalised in cost of construction in progress.

(iii) 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 with the most significant inputs being the discount rate that reflects the credit risk of the counterparty.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000 *(Note 28)*	Borrowings RMB'000 *(Note 25)*	Convertible loan notes RMB'000 *(Note 26)*	Payable for accrued issue costs RMB'000 *(Note 24)*	Total RMB'000
At 1 January 2019	46,468	328,632	241,763	14,415	631,278
Financing cash flows	(17,556)	461,312	(228,243)	(27,717)	187,796
Non-cash transactions:					
– Finance costs *(Note)*	2,289	31,423	–	–	33,712
– Issue costs accrual	–	–	–	14,721	14,721
– Capitalised in share premium upon issuance of new H shares	–	–	–	12,146	12,146
– Change in fair value charged to profit or loss	–	–	(13,520)	–	(13,520)
– New leases entered	9,977	–	–	–	9,977
– Others	–	420	–	–	420
At 31 December 2019	41,178	821,787	–	13,565	876,530
Financing cash flows	(25,348)	(70,334)	–	(337,730)	(433,412)
Non-cash transactions:					
– Finance costs *(Note)*	3,079	43,115	–	–	46,194
– Issue costs accrual	–	–	–	324,165	324,165
– New leases entered	37,302	–	–	–	37,302
At 31 December 2020	**56,211**	**794,568**	**–**	**–**	**850,779**

Note: The finance costs include the interest expense of RMB16,803,000 (2019: RMB20,412,000) capitalised as the cost of construction in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	**220,642**	37,645
Right-of-use assets	**34,660**	36,558
Investments in subsidiaries	**1,875,400**	1,791,838
Intangible assets	**27,962**	4,427
Interests in joint ventures	**1,021**	1,022
Interests in associates	**65,150**	68,871
Other assets, prepayments and other receivables	**42,494**	134,003
Other financial assets	**343,480**	69,345
	2,610,809	2,143,709

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets		
Inventories	**41,041**	26,514
Trade receivables	**596,481**	113,416
Other assets, prepayments and other receivables	**237,128**	226,369
Amounts due from subsidiaries	**782,571**	158,230
Bank balances and cash	**2,641,560**	944,648
	4,298,781	1,469,177
Current liabilities		
Trade and other payables	**954,387**	304,994
Borrowings	**–**	75,702
Amounts due to subsidiaries	**161,579**	396,457
Lease liabilities	**18,077**	10,478
	1,134,043	787,631
Net current assets	**3,164,738**	681,546
Total assets less current liabilities	**5,775,547**	2,825,255
Non-current liabilities		
Deferred income	**30,961**	21,218
Lease liabilities	**18,600**	25,987
	49,561	47,205
Net assets	**5,725,986**	2,778,050
Capital and reserves		
Share capital	**872,496**	784,147
Reserves	**4,853,490**	1,993,903
Total equity	**5,725,986**	2,778,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movement in the Company's reserves

	Share premium RMB'000	RSU reserves RMB'000	Share option reserve RMB'000	Financial liability designated as at FVTPL credit risk reserve RMB'000 *(Note)*	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	3,762,720	–	21,700	(9,367)	(999,463)	2,775,590
Loss for the year	–	–	–	–	(1,165,180)	(1,165,180)
New H shares issued upon over-allotment options exercised	380,001	–	–	–	–	380,001
Transaction costs attributable to issue of new H shares	(12,146)	–	–	–	–	(12,146)
Recognition of equity-settled share-based payment expenses	–	–	15,638	–	–	15,638
Redemption of convertible loan notes	–	–	–	9,367	(9,367)	–
At 31 December 2019	4,130,575	–	37,338	–	(2,174,010)	1,993,903
Loss for the year	–	–	–	–	(1,592,375)	(1,592,375)
A shares issued upon listing on the STAR Market	4,748,585	–	–	–	–	4,748,585
Transaction costs attributable to issue of A shares	(338,737)	–	–	–	–	(338,737)
Recognition of equity-settled share-based payment expenses – share options	–	–	6,549	–	–	6,549
Exercise of share options	21,110	–	(11,110)	–	–	10,000
Recognition of equity-settled share-based payment expenses – RSU	–	25,565	–	–	–	25,565
At 31 December 2020	**8,561,533**	**25,565**	**32,777**	**–**	**(3,766,385)**	**4,853,490**

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

The difference between the share premium of the Group and the Company arise from a merge by absorption during the initial public offering of H shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

40. EVENTS AFTER THE REPORTING PERIOD

On 1 February 2021, the Group entered into a sub-license agreement with Coherus Biosciences, Inc. ("Coherus"). Under the sub-license agreement, the Group granted an exclusive license to Coherus including (i) the right to sub-license, develop, manufacture and commercialise a potential therapeutic product in the USA and Canada, under which the Group may receive up to an aggregate amount of USD530,000,000 before sales-based royalty arrangement as at 31 December 2020, the Group has received a non-refundable deposit amounted to USD5,000,000 (equivalent to RMB32,625,000) from Coherus as set out in Note 24, and (ii) two exclusive options to develop, manufacture and commercialise another potential therapeutic product and the drug as mentioned in Note 16 in the USA and Canada, under which the Group may receive up to an aggregate amount of USD290,000,000 before sales-based royalty arrangement for each option.

DEFINITIONS

2018 Convertible Bonds	innovative start-ups convertible bonds 創新創業可轉換公司債券 previously issued by the Company and listed and traded on the Shanghai Stock Exchange. All the 2018 Convertible Bonds have been fully redeemed by the Company in July 2019
2018 Pre-IPO Share Incentive Scheme	the Company's Pre-IPO Share Incentive Scheme approved and adopted by its Shareholders on 14 May 2018 (as amended with effect from 15 July 2020)
2020 Restricted A Share Incentive Scheme	the Company's 2020 Restricted A Share Incentive Scheme approved and adopted by its Shareholders at the 2020 third extraordinary general meeting, the 2020 second class meeting of A Shareholders and the 2020 second class meeting of H Shareholders held on 16 November 2020
ASCO	the American Society of Clinical Oncology
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 are listed on the STAR Market of the SSE
A Shareholder(s)	holder(s) of A Share(s)
AGM	annual general meeting to be held on Tuesday, 29 June 2021
Articles of Association	articles of association of the Company
Audit Committee	the audit committee of the Company
Beijing Tianshi	Beijing Tianshi Pharmaceutical Technology Co., Ltd. 北京天實醫藥科技有限公司, a limited liability company established in the PRC, which is owned as to 50% by the Company
Beijing Union Biopharm	Beijing Union Biopharm Junshi Biosciences Co., Ltd. 北京眾合君實生物醫藥科技有限公司, a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
BLA	biologics license application
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 of the Listing Rules

DEFINITIONS

cGMP	Current Good Manufacturing Practice
Companies Ordinance	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong
Company or Junshi	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
Global Offering	as defined in the Prospectus
GMP	guidelines and regulations from time to time issued pursuant to the Drug Administration Law of the PRC《中華人民共和國藥品管理法》
Grantee(s)	person(s) being granted Pre-IPO Option(s) under the 2018 Pre-IPO Share Incentive Scheme and the Share Incentive Agreements
Group	the Company and its subsidiaries
H Share Listing	the listing of the Company's H Shares on the Hong Kong Stock Exchange on 24 December 2018
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
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 the PRC
Hong Kong Listing Rules or Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

DEFINITIONS

Hong Kong Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
IFRS	International Financial Reporting Standards
IND	Investigational New Drug
Jiangsu Union Biopharm	Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd. 江蘇眾合醫藥科技有限公司, a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
Junshi Biotechnology	Shanghai Junshi Biotechnology Co., Ltd. 上海君實生物工程有限公司, a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
Macau	Macau Special Administrative Region of the PRC
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the 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
Over-allotment Option	as defined in the Prospectus
PRC Company Law	the Company Law of the PRC《中華人民共和國公司法》
PRC or China	the People's Republic of China
PRC GAAP	generally accepted accounting principles in the PRC
Pre-IPO Options	option(s) granted by the Company to certain employees as share incentive under the 2018 Pre-IPO Share Incentive Scheme and the Share Incentive Agreements
Prospectus	the prospectus of the Company dated 11 December 2018

DEFINITIONS

Qianhai Junshi	Shenzhen Qianhai Junshi Hospital Investment Management Co., Ltd. 深圳前海君醫院投資管理有限公司, a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company
R&D	research and development
Remuneration and Appraisal Committee	the remuneration and appraisal committee of the Company
Reporting Period	the year ended 31 December 2020
Restricted Share(s)	A Share(s) to be granted by the Company to participants on such conditions stipulated under the 2020 Restricted A Share Incentive Scheme, which are subject to the attribution conditions stipulated under the 2020 Restricted A Share Incentive Scheme and can only be attributed and transferred after satisfaction of the attribution conditions
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
Shanghai Union Biopharm	Shanghai Union Biopharm Biosciences Co., Ltd.* 上海眾合醫藥科技股份有限公司, a limited liability company established in the PRC and merged with the Company by absorption in June 2016
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(s)	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Shares and A Shares
Shareholder(s)	holder(s) of the Share(s)
STAR Market	the STAR Market of the Shanghai Stock Exchange
STAR Market Listing	the initial public offering and listing of A shares of the Company on the STAR Market of the Shanghai Stock Exchange on 15 July 2020
Strategic Committee	the strategic committee of the Company

DEFINITIONS

Suzhou Junao	Suzhou Junao Precision Medicine Co., Ltd. 蘇州君奧精準醫學有限公司, a limited liability company established in the PRC, and a wholly-owned subsidiary of the Company
Suzhou Junmeng	Suzhou Junmeng Biosciences Co., Ltd. 蘇州君盟生物醫藥科技有限公司, a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
Suzhou Junshi	Suzhou Junshi Biosciences Co., Ltd. 蘇州君實生物醫藥科技有限公司, a limited liability company established in the PRC and a wholly-owned subsidiary 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 limited liability company established in the PRC and a wholly-owned subsidiary of the Company
Taizhou Junshi	Taizhou Junshi Biosciences Co., Ltd. 泰州君實生物醫藥科技有限公司, a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
TopAlliance	TopAlliance Biosciences Inc., a corporation established in the United States and a wholly-owned subsidiary of the Company
U.S.	the United States
USD	United States dollars
%	per cent

In this annual 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 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*