The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JW (CAYMAN) THERAPEUTICS CO. LTD, GOLDMAN SACHS (ASIA) L.L.C. AND UBS SECURITIES HONG KONG LIMITED

Introduction

We report on the historical financial information of JW (Cayman) Therapeutics Co. Ltd (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-101, which comprises the consolidated balance sheets as at 31 December 2018 and 2019 and 30 June 2020, the Company's balance sheets as at 31 December 2018 and 2019 and 30 June 2020, and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-101 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 22 October 2020 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2018 and 2019 and 30 June 2020 and the consolidated financial position of the Group as at 31 December 2018 and 2019 and 30 June 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("**IAASB**"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 24 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
22 October 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report. The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

		Year ended 31 December		Six months ended 30 June	
	Note	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue		—	—	—	—
Other income	*6*	215	5,483	402	847
Other gains/(losses) — net	*7*	4,801	(1,165)	(695)	4,115
General and administrative expenses	*8*	(41,259)	(72,892)	(25,556)	(81,007)
Research and development expenses	*8*	(75,989)	(136,107)	(54,256)	(82,266)
Operating loss		**(112,232)**	**(204,681)**	**(80,105)**	**(158,311)**
Finance income	*10*	1,092	1,820	155	126
Finance costs	*10*	(2,917)	(1,351)	(884)	(290)
Finance (costs)/income — net	*10*	(1,825)	469	(729)	(164)
Fair values loss of preferred shares	*28*	(46,028)	(128,781)	(3,901)	(484,442)
Fair values loss of warrants	*29*	(112,531)	(300,264)	(273,134)	(7,112)
Loss before income tax		**(272,616)**	**(633,257)**	**(357,869)**	**(650,029)**
Income tax expense	*11*	—	—	—	—
Loss for the year/period and attribute to the equity holders of the Company		**(272,616)**	**(633,257)**	**(357,869)**	**(650,029)**

		Year ended 31 December		Six months ended 30 June	
	Note	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loss for the year/period		**(272,616)**	**(633,257)**	**(357,869)**	**(650,029)**
Other comprehensive loss:					
Items that will not be reclassified to profit or loss					
Exchange differences on translation		(14,208)	(11,324)	(1,680)	(18,338)
Other comprehensive loss for the year/period, net of tax		**(14,208)**	**(11,324)**	**(1,680)**	**(18,338)**
Total comprehensive loss for the year/period and attribute to the equity holders of the Company		**(286,824)**	**(644,581)**	**(359,549)**	**(668,367)**
Basic and diluted loss per share for the loss attributable to owners of the Company (in RMB)	*12*	**(4.19)**	**(9.74)**	**(5.51)**	**(9.96)**

CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December 2018	As at 31 December 2019	As at 30 June 2020
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	52,940	178,932	248,405
Right-of-use assets	14	18,162	23,784	19,100
Intangible assets	15	80,002	156,947	835,940
Prepayment for license	16	—	—	7,080
Other non-current assets	17	18,404	47,616	43,214
		169,508	407,279	1,153,739
Current assets				
Other receivables and prepayments	18	1,276	2,986	7,153
Restricted bank deposits	19	36,375	3,488	3,540
Cash and cash equivalents	19	133,663	254,866	860,197
		171,314	261,340	870,890
Total assets		**340,822**	**668,619**	**2,024,629**
EQUITY				
Share capital	21	4	4	7
Reserves	22	38,610	42,729	710,073
Accumulated losses		(351,815)	(985,072)	(1,635,101)
Capital and reserves attribute to the equity holders of the Company		(313,201)	(942,339)	(925,021)
Total deficit		**(313,201)**	**(942,339)**	**(925,021)**
LIABILITIES				
Non-current liabilities				
Borrowings	26	—	50,823	100,000
Lease liabilities	27	15,538	16,864	12,124
Preferred shares	28	413,195	1,420,454	2,637,440
		428,733	1,488,141	2,749,564
Current liabilities				
Borrowings	26	40,054	—	—
Lease liabilities	27	3,098	10,096	10,135
Accruals and other payables	25	48,443	93,404	111,390
Contingent consideration for business combination	32	—	—	51,793
Warrants	29	133,695	19,317	26,768
		225,290	122,817	200,086
Total liabilities		**654,023**	**1,610,958**	**2,949,650**
Total equity and liabilities		**340,822**	**668,619**	**2,024,629**

BALANCE SHEETS — COMPANY

	Note	As at 31 December 2018	As at 31 December 2019	As at 30 June 2020
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Intangible assets	*15*	79,407	144,477	146,616
Prepayment for license	*16*	—	—	7,080
Investments in subsidiaries	*34*	—	15,443	752,921
		79,407	159,920	906,617
Current assets				
Other receivables and prepayments	*18*	339,892	725,691	1,304,620
Cash and cash equivalents	*19*	5,700	12,588	144,219
		345,592	738,279	1,448,839
Total assets		**424,999**	**898,199**	**2,355,456**
EQUITY				
Share capital	*21*	4	4	7
Reserves	*22*	38,606	48,531	722,289
Accumulated losses		(160,501)	(590,517)	(1,089,941)
Total deficit		**(121,891)**	**(541,982)**	**(367,645)**
LIABILITIES				
Non-current liabilities				
Preferred shares	*28*	413,195	1,420,454	2,637,440
Current liabilities				
Accruals and other payables	*25*	—	410	7,100
Warrants	*29*	133,695	19,317	26,768
Contingent consideration for business combination	*32*	—	—	51,793
		133,695	**19,727**	**85,661**
Total liabilities		**546,890**	**1,440,181**	**2,723,101**
Total equity and liabilities		**424,999**	**898,199**	**2,355,456**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity holders of the Company			
	Note	**Share capital**	**Reserves**	**Accumulated losses**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2018		4	52,818	(79,199)	(26,377)
Loss for the year		—	—	(272,616)	(272,616)
Other comprehensive loss	*22*	—	(14,208)	—	(14,208)
Total comprehensive loss		**—**	**(14,208)**	**(272,616)**	**(286,824)**
Balance at 31 December 2018		**4**	**38,610**	**(351,815)**	**(313,201)**
Balance at 1 January 2019		**4**	**38,610**	**(351,815)**	**(313,201)**
Loss for the year		—	—	(633,257)	(633,257)
Other comprehensive loss	*22*	—	(11,324)	—	(11,324)
Total comprehensive loss		**—**	**(11,324)**	**(633,257)**	**(644,581)**
Transactions with owners					
Share-based compensation expenses	*9*	—	15,443	—	15,443
Total transactions with owners		**—**	**15,443**	**—**	**15,443**
Balance at 31 December 2019		**4**	**42,729**	**(985,072)**	**(942,339)**

	Note	Attributable to equity holders of the Company			
		Share capital	Reserves	Accumulated losses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019		**4**	**38,610**	**(351,815)**	**(313,201)**
Loss for the period		—	—	(357,869)	(357,869)
Other comprehensive loss	*22*	—	(1,680)	—	(1,680)
Total comprehensive loss		**—**	**(1,680)**	**(357,869)**	**(359,549)**
Balance at 30 June 2019 (Unaudited)		**4**	**36,930**	**(709,684)**	**(672,750)**
Balance at 1 January 2020		**4**	**42,729**	**(985,072)**	**(942,339)**
Loss for the period		—	—	(650,029)	(650,029)
Other comprehensive loss	*22*	—	(18,338)	—	(18,338)
Total comprehensive loss		**—**	**(18,338)**	**(650,029)**	**(668,367)**
Transactions with owners					
Issuance of ordinary shares	*32*	3	628,211	—	628,214
Share-based compensation expenses	*9*	—	57,471	—	57,471
Total transactions with owners		**3**	**685,682**	**—**	**685,685**
Balance at 30 June 2020		**7**	**710,073**	**(1,635,101)**	**(925,021)**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December		Six months ended 30 June	
		2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from operating activities					
Cash used in operations	*30(a)*	(107,318)	(190,743)	(103,881)	(107,003)
Interest received		1,092	1,820	155	126
Net cash used in operating activities		**(106,226)**	**(188,923)**	**(103,726)**	**(106,877)**
Cash flows from investing activities					
Purchases of property, plant and equipment		(43,647)	(101,946)	(18,478)	(77,642)
Purchases of intangible assets		(501)	(12,120)	(1,004)	(2,353)
Prepayment for license		—	—	—	(7,007)
Increase in restricted bank deposits		—	(3,488)	—	—
Cash acquired from acquisition of subsidiaries	32	—	—	—	45,308
Net cash used in investing activities		**(44,148)**	**(117,554)**	**(19,482)**	**(41,694)**

	Note	Year ended 31 December		Six months ended 30 June	
		2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from financing activities					
Proceeds from issuance of preferred shares	*28*	281,706	373,811	373,811	709,132
Payment for listing expenses		—	—	—	(783)
Payment of lease liabilities	*30(d)*	(2,643)	(5,243)	(975)	(4,701)
Interest paid for lease liabilities	*30(d)*	(900)	(884)	(499)	(290)
Proceeds from bank borrowings	*30(d)*	10,054	50,823	—	49,177
Repayments of bank borrowings	*30(d)*	—	(40,054)	(16,645)	—
Interest paid for bank borrowings		(2,017)	(779)	(385)	(2,009)
(Increase)/decrease in restricted bank deposits		(36,375)	36,375	—	—
Net cash generated from financing activities		**249,825**	**414,049**	**355,307**	**750,526**
Net increase in cash and cash equivalents		**99,451**	**107,572**	**232,099**	**601,955**
Cash and cash equivalents at beginning of the year/period		21,202	133,663	133,663	254,866
Exchange gain on cash and cash equivalents		13,010	13,631	7,423	3,376
Cash and cash equivalents at end of the year/period		**133,663**	**254,866**	**373,185**	**860,197**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

JW (Cayman) Therapeutics Co. Ltd (the "**Company**") was incorporated in the Cayman Islands, with its registered office situate at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, on 6 September 2017 as an exempted company with limited liability.

The Company and its subsidiaries, hereinafter collectively referred to as the "Group" are primarily engaged in research and development ("**R&D**"), manufacturing, and marketing of anti-tumor drugs in the People's Republic of China (the "**PRC**").

The Group's consolidated financial statements include the financial statements of the Company, its subsidiaries and the entities which the Group controls through the contractual arrangements as set out in Note 2.1.2.

As of 31 December 2018 and 2019 and 30 June 2020, the Group's subsidiaries are as follows:

					As at 30 June 2020	
					Ownership interest held by	
Company name	Country/place and date of incorporation	Principal activities	Type of legal entity	Registered capital	Company	Group
JWS Therapeutics Investment Co. Ltd.	Cayman Islands, 19 June 2020	Holding company	Exempted company with limited liability	US$50,000	100%	100%
JW (Hong Kong) Therapeutics Limited	Hong Kong, 3 October 2017	Holding company	Limited liability company	USD 6,200,000 & HKD 10,000	100%	100%
JW Therapeutics (Shanghai) Co., Ltd. (上海藥明巨諾生物科技有限公司)	the PRC, 18 February 2016	Drug research and development and import and export handling	Limited liability company	USD 40,500,000	—	100%
Shanghai Ju Ming Medical Technology Co., Ltd. (上海炬明醫療技術有限公司)	the PRC, 10 July 2017	Medical research and experimental development	Limited liability company	RMB1,000,000	—	100%

Company name	Country/place and date of incorporation	Principal activities	Type of legal entity	Registered capital	As at 30 June 2020 Ownership interest held by Company	Group
Shanghai Ming Ju Biotechnology Co., Ltd. (上海明聚生物科技有限公司)	the PRC, 30 August 2017	Clinical trial and CRO	Limited liability company	RMB1,000,000	—	100%
Suzhou Ming Ju Biotechnology Co., Ltd. (蘇州明聚生物科技有限公司)	the PRC, 30 August 2018	Drug research and development	Limited liability company	RMB500,000	—	100%
JW Therapeutics R&D (Shanghai) Co., Ltd (上海藥明巨諾生物醫藥研發有限公司) .	the PRC, 5 December 2018	Drug research and development	Limited liability company	USD 15,000,000	—	100%
JW Therapeutics (Suzhou) Co., Ltd. (蘇州藥明巨諾生物科技有限公司)	the PRC, 12 September 2018	Drug research and development and manufacturing and import and export handling	Limited liability company	USD 15,000,000	—	100%
Syracuse Biopharma (Hong Kong) Limited *(Note a)*	Hong Kong, 7 June 2018	Holding company	Limited liability company	USD 13,894,000	—	100%
Eureka (Beijing) Biotechnology Co., Ltd (優瑞科(北京)生物技術有限公司) *(Note a)*	The PRC, 2 April 2007	Conducts clinical studies of T-cell therapies in China	Limited liability company	RMB40,000,000	—	100%

Company name	Country/place and date of incorporation	Principal activities	Type of legal entity	Registered capital	As at 30 June 2020 Ownership interest held by Company	Group
Syracuse Biopharma (Jiangsu) Co., Ltd. (賽諾思遠生物科技(江蘇)有限公司) *(Note a)*	The PRC, 18 September 2018	Conducts clinical studies of T-cell therapies in China	Limited liability company	RMB100,000,000	—	100%
Aeon Therapeutics (Beijing) Limited (頤昂生物科技(北京)有限公司) *(Note a)*	The PRC, 8 March 2017	Conducts clinical studies of T-cell therapies in China	Limited liability company	RMB40,000,000	—	100%
Wuhan Guanggu Aeon Therapeutics Limited (武漢光谷頤昂生物科技有限公司) *(Note a)*	The PRC, 28 August 2018	Conducts clinical studies of T-cell therapies in China	Limited liability company	RMB10,000,000	—	100%

Note (a): These subsidiaries were acquired on 30 June 2020 (Note 32).

As of the date of this report, there were no changes to the ownership interest held by the Company in these subsidiaries since 30 June 2020.

Company name	Country/place and date of incorporation	Principal activities and place of operation	Type of legal entity	Registered capital	As at 31 December 2019 Ownership interest held by Company	Group
JW (Hong Kong) Therapeutics Limited *(Note (a))*	Hong Kong, 3 October 2017	Holding company	Limited liability company	USD6,200,000 & HKD10,000	100%	100%
JW Therapeutics (Shanghai) Co., Ltd. (上海藥明巨諾生物科技有限公司) *(Note (b))*	the PRC, 18 February 2016	Drug research and development and import and export handling	Limited liability company	USD40,500,000	—	100%
Shanghai Ju Ming Medical Technology Co., Ltd. (上海炬明醫療技術有限公司) *(Note (c))*	the PRC, 10 July 2017	Medical research and experimental development	Limited liability company	RMB1,000,000	—	100%
Shanghai Ming Ju Biotechnology Co., Ltd. (上海明聚生物科技有限公司) *(Note (b))*	the PRC, 30 August 2017	Clinical trial and CRO	Limited liability company	RMB1,000,000	—	100%
Suzhou Ming Ju Biotechnology Co., Ltd. (蘇州明聚生物科技有限公司) *(Note (c))*	the PRC, 30 August 2018	Drug research and development	Limited liability company	RMB500,000	—	100%
JW Therapeutics R&D (Shanghai) Co., Ltd (上海藥明巨諾生物醫藥研發有限公司) *(Note (b))*	the PRC, 5 December 2018	Drug research and development	Limited liability company	USD15,000,000	—	100%

Company name	Country/place and date of incorporation	Principal activities and place of operation	Type of legal entity	Registered capital	As at 31 December 2019 Ownership interest held by	
					Company	Group
JW Therapeutics (Suzhou) Co., Ltd. (蘇州藥明巨諾生物科技有限公司) *(Note (b))*	the PRC, 12 September 2018	Drug research and development and manufacturing and import and export handling	Limited liability company	USD15,000,000	—	100%

Notes:

(a) The statutory auditor of the subsidiary of the Group for the year ended 31 December 2019 is PricewaterhouseCoopers, certified public accountants registered in Hong Kong.

(b) The statutory auditor of the subsidiaries of the Group for the year ended 31 December 2019 is PricewaterhouseCoopers Zhong Tian LLP, certified public accountants registered in the PRC.

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

Company name	Country/place and date of incorporation	Principal activities and place of operation	Type of legal entity	Registered capital	As at 31 December 2018 Ownership interest held by	
					Company	Group
JW (Hong Kong) Therapeutics Limited *(Note (a))*	Hong Kong, 3 October 2017	Holding	Limited liability company	USD6,200,000 & HKD10,000	100%	100.00%
JW Therapeutics (Shanghai) Co., Ltd. (上海藥明巨諾生物科技有限公司) *(Note (b))*	the PRC, 18 February 2016	Drug research and development and import and export handling	Limited liability company	USD40,500,000	—	100.00%
Shanghai Ju Ming Medical Technology Co., Ltd. (上海炬明醫療技術有限公司) *(Note (c))*	the PRC, 10 July 2017	Medical research and experimental development	Limited liability company	RMB1,000,000	—	100.00%
Shanghai Ming Ju Biotechnology Co., Ltd. (上海明聚生物科技有限公司) *(Note (b))*	the PRC, 30 August 2017	Clinical trial and CRO	Limited liability company	RMB1,000,000	—	100.00%
Suzhou Ming Ju Biotechnology Co., Ltd. (蘇州明聚生物科技有限公司), *(Note (c))*	the PRC, 30 August 2018	Drug research and development	Limited liability company	RMB500,000	—	100.00%
JW Therapeutics R&D (Shanghai) Co., Ltd (上海藥明巨諾生物醫藥研發有限公司) *(Note (d))*	the PRC, 5 December 2018	Drug research and development	Limited liability company	USD2,000,000	—	100.00%

Company name	Country/place and date of incorporation	Principal activities and place of operation	Type of legal entity	Registered capital	As at 31 December 2018 Ownership interest held by	
					Company	Group
JW Therapeutics (Suzhou) Co., Ltd. (蘇州藥明巨諾生物科技有限公司) *(Note (b))*	the PRC, 12 September 2018	Drug research and development and manufacturing and import and export handling	Limited liability company	USD1,600,000	—	100.00%

Notes:

(a) The statutory auditor of the subsidiary of the Group for the year ended 31 December 2018 is PricewaterhouseCoopers, certified public accountants registered in Hong Kong.

(b) The statutory auditor of the subsidiaries of the Group for the year ended 31 December 2018 is PricewaterhouseCoopers Zhong Tian LLP, certified public accountants registered in the PRC.

(c) No audited financial statements have been prepared for these companies for the year ended 31 December 2018, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

(d) No audited financial statements have been prepared for the period ended 31 December 2018 for this company was newly incorporated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by International Accounting Standards Board ("**IASB**").

The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

The Group is in the development phase and has not generated revenue from sales of drugs and has been incurring losses from operations since incorporation.

As at 30 June 2020, the Group had a total equity in deficit of RMB925,021,000 and cash and cash equivalents of RMB860,197,000. While the Group has net deficits and net operating cash outflows, the Group has positive working capital resulting from capital raising activities through issuance of preferred shares.

Preferred shares with carrying amount of RMB2,637,440,000 issued to investors was accounted under non-current liabilities, which would not be contractually redeemable within the next twelve months period, subject to redemption and other clauses as set out in Note 28. Such preferred shares will automatically be converted into ordinary shares upon the closing of the global offering. Accordingly, the directors are of the opinion that the preferred shares are not expected to have cash flow impact on the Group's cash flow and the Group has sufficient cash for its daily operation for the next twelve months.

Therefore, the directors of the Company consider that it is appropriate to prepare the Historical Financial Information on a going concern basis.

All effective standards, amendments to standards and interpretations, including IFRS 15 and IFRS 9, which are mandatory for the financial year beginning 1 January 2018, and IFRS 16, which is mandatory for the financial year beginning 1 January 2019, are consistently applied to the Group for the Track Record Period.

2.1.1 New standards, amendments to standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

Standards	Key requirements	Effective for annual periods beginning on or after
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IFRS 17	Insurance Contracts	1 January 2023
IAS 1 (Amendment)	Classification of liabilities as current or non-current	1 January 2023
IAS 37 (Amendment)	Onerous contracts — Cost of fulfilling a contract	1 January 2022
Annual Improvements	Annual Improvements to IFRS standard 2018-2020	1 January 2022
IAS 16 (Amendment)	Property, plant and equipment — proceeds before intended use	1 January 2022
IFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
IFRS 16 (Amendment)	COVID-19-related rent concessions	1 June 2020

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, these standards and amendments are not expected to have a significant impact on the Group's financial performance and position.

2.1.2 Contractual arrangements

Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the gene therapy business carried out by subsidiaries of the Group, namely Shanghai Ju Ming Medical Technology Co., Ltd (上海炬明醫療技術有限公司) ("**Shanghai Juming**") and its wholly owned subsidiaries, Shanghai Ming Ju Biotechnology Co., Ltd (上海明聚生物科技有限公司) and Suzhou Ming Ju Biotechnology Co., Ltd. (蘇州明聚生物科技有限公司) ("**Shanghai Juming Group**"), JW Therapeutics (Shanghai) Co., Ltd. (上海藥明巨諾生物科技有限公司) ("**JW Shanghai**") entered into the contractual arrangements (the "**Contractual Arrangements**") with Shanghai Juming and its equity holders on 2 November 2017 and 29 July 2020, which enable JW Shanghai and the Group to:

- expose, or have rights, to variable returns from their involvement with the investee and have ability to affect those returns through its power over Shanghai Juming;

- exercise equity holders' controlling voting rights of Shanghai Juming;
- receive substantially all of the economic interest returns generated by Shanghai Juming in consideration for the business support, technical and consulting services provided by Shanghai Juming;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in Shanghai Juming from its equity holders at the same amount of its registered capital, which was loaned from JW Shanghai. JW Shanghai may exercise such options at any time until it has acquired all equity interests and/or all assets of Shanghai Juming. In addition, Shanghai Juming is not allowed to sell, transfer, or dispose of any assets, or make any distributions to its equity holders without prior consent of JW Shanghai; and
- obtain a pledge over the entire equity interest of Shanghai Juming from its equity holders as collateral security to guarantee performance of their contractual obligations under the Contractual Arrangements.

The Group does not have any equity interest in Shanghai Juming Group. However, as a result of the Contractual Arrangements, the Group has power over Shanghai Juming Group, has rights to variable returns from its involvement with Shanghai Juming Group and has the ability to affect those returns through its power over Shanghai Juming Group and is considered to have control over Shanghai Juming Group. Consequently, the Company regards Shanghai Juming Group as indirect subsidiaries for accounting purpose. The Company consolidates the assets, liabilities, income and expenses of Shanghai Juming Group upon the execution of the Contractual Arrangements.

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between entities within the Group are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of profit or loss.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Company's functional currency is United States Dollars ("**USD**"); however, the consolidated financial statements are presented in RMB. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in consolidated statements of comprehensive loss in the period in which they arise.

Monetary assets and liabilities denominated in foreign currencies at the year/period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

All foreign exchange gains and losses are presented in the consolidated statements of comprehensive loss within "Other gains/(losses) — net".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position are translated at the closing rate;

(ii) Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rate; and

(iii) All resulting exchange differences are recognized in other comprehensive income and accumulated as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs incurred during the construction period are capitalized.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance expenses are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Machinery	5 years
Electronic equipment	5-10 years
Leasehold improvements	Over the shorter of the lease term or the estimated useful life

The assets' residual value and useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognized as "Other gains/(losses) — net" in the consolidated statements of comprehensive loss.

Construction in progress represents unfinished construction and equipment under construction or pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

2.6 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purpose, being the operating segments.

(b) Software

Computer software contains research and development software and financial software, which is recognized at historical cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. The Group amortized on a straight-line basis over their estimated useful lives of 5-10 years based on the current functionalities and the daily operation needs of the software.

(c) Licenses

Intangible assets acquired separately are measured on initial recognition at cost.

Certain intangible assets are for license of intellectual properties in development, with non-refundable upfront payment, milestone payment and royalty payment. Upfront payment is capitalized when paid. The milestone payment is capitalized as intangible assets when incurred, unless the payment is for outsourced research and development work which would follow the capitalization policy in Note 2.6 (d). Royalty payment would be accrued for in line with the underlying sales and recognized as a cost of sales. However, if the intangible asset is acquired in a business combination, it is measured at fair value at initial recognition.

In-licenses with finite useful life are amortized using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production after approval of biologics license application, which is determined by certain factors of the underlying products, including the life cycles, the technology innovation, the stability of CAR-T industry and actions by the Company's competitors, etc..

(d) Research and development

The Group incurs significant costs and efforts on research and development activities, which include expenditures on drug products. Research expenditures are charged to the profit or loss as an expense in the period the expenditures are incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed drug products and all the following can be demonstrated:

(i) the technical feasibility of completing the intangible assets so that it will be available for use or sale;

(ii) the intention to complete the intangible asset and use or sell it;

(iii) the ability to use or sell the intangible assets;

(iv) the intangible asset will generate probable future economic benefits;

(v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The cost of an internally generated intangible asset is the sum of the expenditures incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalized in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads. The Group generally considers capitalization criteria for internally generated intangible assets is met when obtaining regulatory approval of new drug license.

Capitalized development expenditures are amortized using the straight-line method over the life of the related drug products. Amortization shall begin when the asset is available for use. Subsequent to initial recognition, internally generated intangible assets are reported as cost less accumulated amortization and accumulated impairment losses (if any).

Development expenditures not satisfying the above criteria are recognized in the profit or loss as incurred and development expenditures previously recognized as an expense are not recognized as an asset in a subsequent period.

2.7 Impairment of non-financial assets

Intangible assets, right-of-use assets and property, and plant and equipment that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Goodwill and intangible assets with indefinite useful lives or not ready for use will not be amortized but tested for impairment annually either individually or at the cash-generating unit level. The impairment test would compare the recoverable amount of the cash generating unit to its carrying value. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.8 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- Those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in income using the effective interest method.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other gains/losses". Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses and impairment expenses are presented in "Other gains/(losses) — net".

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statements of comprehensive loss within "Other gains/(losses) — net", net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) — net in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.9 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

Impairment on other receivables is measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.12 Share capital

Ordinary shares are classified as equity. Preferred shares are classified as liabilities based on the respective contract terms.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Accruals and other payables

Accruals and other payables mainly represent the obligations to pay for services that have been acquired in the ordinary course of business. Accruals and other payables are presented as current liabilities unless payment is not due within one year or less after the reporting period.

Accruals and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.14 Preferred shares

During the Track Record Period and as at the date of this report, the Company entered into a series of share purchase agreements with financial investors and issued convertible redeemable preferred shares.

The preferred shares issued by the Company are redeemable upon occurrence of certain future events. These instruments can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering ("**IPO**") of the Company as set out in Note 28.

The Group designated the preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value.

Subsequent to initial recognition, the preferred shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss.

If the Company's own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts.

2.15 Warrants

The Group issued warrants for the upfront payments to purchase license as cash-settled share-based payments. The warrants can be exercised and settled with preferred shares upon certain conditions. The fair value of the warrants for cash-settled transaction is remeasured at each reporting date and at the date of settlement. Any changes in fair value of warrants are recognized in profit or loss. Upon exercise of the warrants, the share-based payments are settled with preferred shares and accounted for as financial liabilities measured at fair value (Note 2.14).

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in consolidated statements of comprehensive loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed as incurred.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheets date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.18 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the employee leaves.

(c) Housing funds, medical insurance and other social insurance

Employees in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contribution payable.

(d) Bonus plan

The expected cost of bonus is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.19 Share-based payment

(a) Equity-settled share-based payment transactions

The Group operates stock options and restricted share units ("**RSUs**") granted to employees, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments (options and RSUs) is recognized as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

(i) including any market performance conditions;

(ii) excluding the impact of any service and non-market performance vesting conditions (for example, the requirement for employees to serve); and

(iii) including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options and RSUs that are expected to vest based on the non-market vesting performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense in full on grant date as these equity instruments granted can be vested immediately.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

(b) Share-based payment transaction among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

2.20 Government grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants related to costs are recognized in consolidated statements of comprehensive loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortized to consolidated statements of comprehensive loss over the estimated useful lives of the related assets using the straight-line method.

2.21 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.22 Leases and right of use assets

The Group leases various properties. Property leases are typically made for fixed periods of one to five years. Lease terms are negotiated on an individual basis and contain various different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and

- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise equipment and small items of office furniture.

2.23 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors or shareholders, where applicable.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cashflow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Company's functional currency is USD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency.

Certain bank balances and other receivables and other payables are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group has entities operating in USD, Hong Kong Dollar ("**HKD**") and RMB, and the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in USD for the group companies that have functional currency in RMB. At 31 December 2018 and 2019 and 30 June 2020, if the USD strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the years/period would have been RMB3,244,000 lower/higher, RMB9,296,000 lower/higher and RMB38,885,000 lower/higher, respectively.

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. The Group has not hedged its cash flow or fair value interest-rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 26.

If interest rates on borrowings had been 50 basis point higher with all other variables held constant, the Group's loss would approximately increase by RMB10,000, RMB2,000 and Nil for each of the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 respectively.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, restricted bank deposits, other receivables included in the statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2018 and 2019 and 30 June 2020, cash and cash equivalents and restricted bank deposits were all deposited in high quality financial institutions without significant credit risk.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited with state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Management has assessed that during the Track Record Period, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The Group does not expect any losses from nonperformance by the counterparties of other receivables and no loss allowance provision for other receivables was recognized.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or adjust financing arrangements to meet the Group's liquidity requirements.

The Group recognizes preferred shares at fair value through profit or loss. Accordingly, the preferred shares are managed on a fair value basis rather than by maturing dates.

The table below analyzes the Group's non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2020					
Accruals and other payables	98,182	—	—	—	98,182
Borrowings (including interest payables)	4,900	6,992	83,360	26,000	121,252
Lease liabilities	10,881	9,619	2,769	—	23,269
	113,963	16,611	86,129	26,000	242,703
As at 31 December 2019					
Accruals and other payables	80,008	—	—	—	80,008
Borrowings (including Interest payables)	2,490	2,490	53,611	2,881	61,472
Lease liabilities	11,094	9,814	7,702	—	28,610
	93,592	12,304	61,313	2,881	170,090
As at 31 December 2018					
Accruals and other payables	39,748	—	—	—	39,748
Borrowings (including interest payables)	40,274	—	—	—	40,274
Lease liabilities	3,890	6,048	10,272	—	20,210
	83,912	6,048	10,272	—	100,232

3.2 Capital management

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the net debt equity ratio. This ratio is calculated as "net debt" divided by "total equity". Net debt is calculated as total borrowings, total lease liabilities and preferred shares less cash and cash equivalents and restricted bank deposits. The net debt ratios of 31 December 2018 and 2019 and 30 June 2020 were as follows:

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Borrowings	40,054	50,823	100,000
Lease liabilities	18,636	26,960	22,259
Preferred shares	413,195	1,420,454	2,637,440
Less: cash and cash equivalents	(133,663)	(254,866)	(860,197)
Less: restricted bank deposits	(36,375)	(3,488)	(3,540)
Net debts	301,847	1,239,883	1,895,962
Total deficit	(313,201)	(942,339)	(925,021)
Net debt equity ratio	N/A	N/A	N/A

3.3 Fair value estimation

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, restricted bank deposits, other receivables and prepayments (excluding prepayments), borrowings and accruals and other payables) approximate their fair values.

The Group applies IFRS 13 for financial instruments that are measured in the consolidated balance sheets at fair value, which requires disclosure of fair value measurements by levels of the following fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's liabilities that were measured at fair value at 31 December 2018:

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Preferred Shares	—	—	413,195	413,195

The following table presents the Group's liabilities that are measured at fair value at 31 December 2019.

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Preferred Shares	—	—	1,420,454	1,420,454

The following table presents the Group's liabilities that are measured at fair value at 30 June 2020.

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Contingent consideration for business combination	—	—	51,793	51,793
Preferred Shares	—	—	2,637,440	2,637,440
	—	—	2,689,233	2,689,233

Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments or discounted cash flow analysis.

There were no changes in valuation techniques during the Track Record Period.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

The changes in level 3 instruments of preferred shares for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 are presented in Notes 28. The changes in level 3 instruments of contingent consideration for business combination for the six months ended 30 June 2020 are presented in Note 32.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Intangible assets acquired in a business combination

If an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. The fair value of an intangible asset will reflect market participants' expectations at the acquisition date about the probability that the expected future economic benefits embodied in the asset will flow to the entity. In other words, the entity expects there to be an inflow of economic benefits, even if there is uncertainty about the timing or the amount of the inflow. If an asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure reliably the fair value of the asset.

An acquirer recognizes at the acquisition date, separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognized by the acquiree before the business combination. This means that the acquirer recognizes as an asset separately from goodwill an in-process research and development project of the acquiree if the project meets the definition of an intangible asset. An acquiree's in-process research and development project meets the definition of an intangible asset when it:

(i) meets the definition of an asset; and

(ii) is identifiable, i.e., is separable or arises from contractual or other legal rights.

If an intangible asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure reliably the fair value of the asset. Determination of the fair value is an area involving management judgment in order to assess whether the carrying value of the intangible assets not ready for use can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of (i) timing of commercialization, productivity and market penetration rate; (ii) revenue growth rate; (iii) costs and operating expenses; (iv) the selection of discount rates; and (v) success rate of commercialization to reflect the risks involved.

An intangible asset acquired in a business combination might be separable, but only together with a related contract, identifiable asset or liability. In such cases, the acquirer recognizes the intangible asset separately from goodwill, but together with the related item.

(b) Impairment of property, plant and equipment

The Group assesses impairment based on its subjective judgment and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

(c) Impairment testing of intangible assets not ready for use

Intangible assets not ready for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Group obtained in-licenses through separate acquisition or business combination to continue research and development work and commercialize the products, which are classified as intangible assets not ready for use.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

(d) Estimation of fair value of preferred shares and warrants

Preferred shares and warrants for purchase of preferred shares issued by the Company are not traded in an active market and the respective fair values are determined using valuation techniques. The discounted cash flow method was used to determine the total equity value of the Company and the equity allocation model was adopted to determine the fair value of the financial instruments. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 28 and Note 29.

(e) Deferred income tax

The Group recognises deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the Track Record Period, deferred tax assets have not been recognised in respect of these accumulated tax losses and other deductible temporary differences based on the fact that there were several drug candidates of the Company and most of them were in earlier research and development stage and the future taxable profits would be uncertain.

(f) Research and development expenses

Development costs incurred on the Group's drug product pipelines are capitalized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalized requires management to make judgment regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the Track Record Period, all expenses incurred for research and development activities were regarded as research expenses and therefore were expensed when incurred.

5 Segment information

The Group's business activities are regularly reviewed and evaluated by the chief operating decision-makers.

As a result of this evaluation, the executive directors of the Group consider that the Group's operations are operated and managed as a single reportable segment. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

6 Other income

	Year ended 31 December		Six months ended 30 June	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Government grants — cost related *(Note)*	215	5,483	402	847

Note: The government grants and subsidies related to funding received to compensate for the Group's research and development expenses. Some of the grants received are related to future costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. When the required conditions set by the government for such grants are met, the proportion of the qualified funds is recognized as "other income" and the remaining balance is recorded as "Accruals and other payables — deferred income".

7 Other gains/(losses) — net

	Year ended 31 December		Six months ended 30 June	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net foreign exchange gain/(losses)	4,524	(1,086)	(381)	(1,901)
Bargain purchase gain *(Note 32)*	—	—	—	6,016
Others	277	(79)	(314)	—
Total	**4,801**	**(1,165)**	**(695)**	**4,115**

8 Expenses by nature

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Employee benefit expenses (including directors' emoluments) *(Note 9)*	39,238	96,835	31,467	102,991
R&D materials and consumables	21,164	33,180	17,091	8,777
Testing and clinical expenses	23,024	27,818	10,751	19,729
Professional service expenses	12,444	14,110	6,093	7,152
Depreciation-right of use assets *(Note 14)*	4,001	7,945	3,411	4,457
Depreciation of property, plant and equipment *(Note 13)*	1,075	9,113	3,396	6,041
Amortization of intangible assets *(Note 15)*	33	245	108	176
Office expenses	3,081	7,368	2,776	2,858
Short term lease and low value lease expenses	5,575	5,064	1,940	2,211
Auditors' remuneration-audit service				
— Audit service	156	358	—	—
— Non-audit service	—	178	—	—
Listing expenses	—	—	—	7,669
Other expenses	7,457	6,785	2,779	1,212
Total general and administrative expenses and research and development expenses	**117,248**	**208,999**	**79,812**	**163,273**

9 Employee benefit expenses

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Wages, salaries and bonuses	31,631	67,463	25,462	40,275
Contributions to pension plans *(Note)*	2,366	4,006	1,919	381
Welfare and other expenses	2,189	4,368	1,916	1,957
Share based payment expenses *(Note 23)*	—	15,443	—	57,471
Other welfare for employees	3,052	5,555	2,170	2,907
	39,238	**96,835**	**31,467**	**102,991**

Note: Pensions — defined contribution plans

Full time PRC employees of the Group are members of state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs, subject to certain ceiling, as determined by the local government authority to fund these schemes. The Group's liabilities in respect of benefits schemes are limited to the contribution payable in each year.

(a) Directors' and senior management's emoluments

Directors and chief executives' emoluments for the Track Record Period are set out as follows:

	Fees	Salary	Discretionary bonus	Social security costs	Share-based compensation expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2018						
Chairman and executive director						
Yiping James Li (i)	—	2,762	964	—	—	3,726
Non-executive Director						
Edward Hu (ii)	—	—	—	—	—	—
Steven Daniel Harr (iii)	—	—	—	—	—	—
Ge Li (iv)	—	—	—	—	—	—
Shen Ye (v)	—	—	—	—	—	—
Yang Yunxia (vi)	—	—	—	—	—	—
Independent Director						
Hans Edgar Bishop (vii)	—	—	—	—	—	—
	—	**2,762**	**964**	**—**	**—**	**3,726**

	Fees	Salary	Discretionary bonus	Social security costs	Share-based compensation expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019						
Chairman and executive director						
Yiping James Li (i)	—	2,816	844	—	—	3,660
Non-executive Director						
Edward Hu (ii)	—	—	—	—	—	—
Steven Daniel Harr (iii)	—	—	—	—	—	—
Ge Li (iv)	—	—	—	—	—	—
Shen Ye (v)	—	—	—	—	—	—
Yang Yunxia (vi)	—	—	—	—	—	—
Robert Hershberg (viii)	—	—	—	—	—	—
Miao Jingwen (ix)	—	—	—	—	—	—
Krishnan Viswanadhan (x)	—	—	—	—	—	—
Independent Director						
Hans Edgar Bishop (vii)	—	—	—	—	—	—
	—	**2,816**	**844**	**—**	**—**	**3,660**

	Fees	Salary	Discretionary bonus	Social security costs	Share-based compensation expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2019 (Unaudited)						
Chairman and executive director						
Yiping James Li (i)	—	1,385	—	—	—	1,385
Non-executive Director						
Edward Hu (ii)	—	—	—	—	—	—
Steven Daniel Harr (iii)	—	—	—	—	—	—
Ge Li (iv)	—	—	—	—	—	—
Shen Ye (v)	—	—	—	—	—	—
Yang Yunxia (vi)	—	—	—	—	—	—
Robert Hershberg (viii)	—	—	—	—	—	—
Independent Director						
Hans Edgar Bishop (vii)	—	—	—	—	—	—
	—	**1,385**	**—**	**—**	**—**	**1,385**

	Fees	Salary	Discretionary bonus	Social security costs	Share-based compensation expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 30 2020						
Chairman and executive director						
Yiping James Li (i)	—	1,398	—	—	45,115	46,513
Non-executive Director						
Edward Hu (ii)	—	—	—	—	—	—
Ge Li (iv)	—	—	—	—	—	—
Yang Yunxia (vi)	—	—	—	—	—	—
Miao Jingwen (ix)	—	—	—	—	—	—
Krishnan Viswanadhan (x)	—	—	—	—	—	—
Xing Gao (xi)	—	—	—	—	—	—
Ann Li Lee (xii)	—	—	—	—	—	—
Jinyin Wang (xiii)	—	—	—	—	—	—
Cheng Liu (xiv)	—	—	—	—	—	—
Independent Director	—	—	—	—	—	—
Hans Edgar Bishop (vii)	—	—	—	—	—	—
Yanling Cao (xv)	—	—	—	—	—	—
	—	**1,398**	**—**	**—**	**45,115**	**46,513**

(i) Dr. Yiping James Li was appointed as director on 14 November 2017.

(ii) Mr. Edward Hu was appointed as director on 6 September 2017 and resigned as a director on 22 March 2020.

(iii) Mr. Steven Daniel Harr was appointed as director on14 November 2017 and resigned as a director on 15 February 2019.

(iv) Mr. Ge Li was appointed as director on 14 November 2017 and resigned as a director on 22 March 2020.

(v) Ms. Shen Ye was appointed as director on 23 February 2018 and resigned as a director on 20 November 2019.

(vi) Ms. Yang Yunxia was appointed as director on 23 February 2018.

(vii) Mr. Hans Edgar Bishop was appointed as director on 14 November 2017.

(viii) Mr. Robert Hershberg was appointed as director on 15 February 2019 and resigned as a director on 20 November 2019.

(ix) Ms. Miao Jingwen was appointed as director on 20 November 2019.

(x) Dr. Krishnan Viswanadhan was appointed as director on 20 November 2019.

(xi) Ms. Gao Xing was appointed as director on 22 May 2020.

(xii) Dr. Ann Li Lee was appointed as director on 22 May 2020.

(xiii) Mr. Jinyin Wang was appointed as director on 22 May 2020.

(xiv) Dr. Cheng Liu was appointed as director on 30 June 2020.

(xv) Mr. Yanling Cao was appointed as director on 22 May 2020.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the Track Record Period.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the Track Record Period.

(d) Consideration provided to third parties for making available directors' services

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the Track Record Period.

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four individuals during the Track Record Period are as follows:

	Year ended 31 December		Six months ended 30 June	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, wages and bonuses	7,831	11,904	5,499	6,296
Social security costs	412	150	75	438
Share-based compensation expenses	—	8,568	—	52,386
	8,243	**20,622**	**5,574**	**59,120**

The emoluments of the top five highest paid individuals fees fell within the following bands:

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	no. of individuals	*no. of individuals*	*no. of individuals* (Unaudited)	*no. of individuals*
Emolument bands (in RMB)				
Less than RMB1,000,000	1	—	2	—
RMB1,000,001 to RMB1,500,000	3	2	3	1
RMB1,500,001 to RMB3,000,000	—	—	—	1
RMB3,000,001 to RMB4,500,000	1	1	—	1
RMB4,500,001 to RMB6,000,000	—	1	—	1
RMB6,000,001 to RMB8,500,000	—	1	—	—
RMB45,500,001 to RMB47,000,000	—	—	—	1
	5	**5**	**5**	**5**

10 Finance (costs)/income — net

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Finance income:				
Interest income on bank deposits	1,092	1,820	155	126
Total finance income	**1,092**	**1,820**	**155**	**126**
Finance costs				
Interest expense on bank borrowings	(2,017)	(779)	(385)	(2,009)
Less: amounts capitalized in property, plant and equipment *(Note 13)*	—	312	—	2,009
	(2,017)	(467)	(385)	—
Interest expense on lease liabilities	(900)	(884)	(499)	(290)
Total finance costs	**(2,917)**	**(1,351)**	**(884)**	**(290)**
Finance (costs)/income — net	**(1,825)**	**469**	**(729)**	**(164)**

11 Income tax expense

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. There is no income tax in the Cayman Islands and accordingly, the operating results reported by the Company, is not subject to any income tax in the Cayman Islands.

(b) Hong Kong income tax

No provision for Hong Kong profits tax has been provided for at the rate of 16.5% as the Company has no estimated assessable profit.

(c) The PRC corporate income tax

No provision for Mainland China income tax has been provided for at a rate of 25% pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), as the Group's PRC entities have no estimated assessable profits.

The taxation of the Group's profit before taxation differs from the theoretical amount that would arise using the rates prevailing in the jurisdictions in which the Group operates as follows:

	Year ended 31 December		Six months ended 30 June	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loss before income tax	**(272,616)**	**(633,257)**	**(357,869)**	**(650,029)**
Tax calculated at applicable tax rate of 25%	(68,154)	(158,314)	(89,467)	(162,507)
Effect of different tax rate	40,824	107,954	69,748	123,984
Expenses not deductible for taxation purposes	922	4,771	233	15,147
Super deduction in respect of research and development expenditures	(13,927)	(22,162)	(7,198)	(17,337)
Tax loss not recognized as deferred tax assets	40,335	67,751	26,684	40,713
Income tax expense	**—**	**—**	**—**	**—**

(e) Deferred tax assets not recognized:

The Group has not recognized any deferred tax assets in respect of the following items:

	Year ended 31 December		Six months ended 30 June	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Deductible losses	259,831	530,833	366,570	693,688

(f) Deductible losses that are not recognized as deferred tax assets will be expired as follows:

	As at December 31,		As at June 30,
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
2021	34,376	34,376	34,376
2022	64,115	64,115	64,115
2023	161,340	161,340	161,340
2024	—	271,002	271,002
2025	—	—	162,855
	259,831	530,833	693,688

12 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss of the Group attribute to owners of the Company by weighted average number of ordinary shares issued during the Track Record Period.

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
			(Unaudited)	
Loss attributable to the ordinary equity holders of the company *(RMB'000)*	(272,616)	(633,257)	(357,869)	(650,029)
Weighted average number of ordinary shares in issue *(in thousand) (Note)*	65,000	65,000	65,000	65,257
Basic loss per share *(RMB)*	(4.19)	(9.74)	(5.51)	(9.96)

Note: On 21 August 2020, the Company underwent a subdivision of shares whereby each issued and unissued share of par value US$0.0001 each in our Company's authorized share capital shall be subdivided into 10 shares of US$0.00001 par value each. Further details are set out in Note 21.

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Company had two categories of potential ordinary shares: preferred shares (Note 28), and the stock options granted to employees (Note 23). As the Group incurred losses for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020 are the same as basic loss per share of the respective years/periods.

13 Property, plant and equipment — Group

	Machinery	Electronic equipment	Leasehold Improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2018					
Cost	3,452	569	—	—	4,021
Accumulated depreciation	(125)	(121)	—	—	(246)
Net book amount	**3,327**	**448**	**—**	**—**	**3,775**
Year ended 31 December 2018					
Opening net book amount	3,327	448	—	—	3,775
Additions	11,547	8,167	—	30,526	50,240
Depreciation charges *(Note 8)*	(742)	(333)	—	—	(1,075)
Closing net book amount	**14,132**	**8,282**	**—**	**30,526**	**52,940**
As at 31 December 2018					
Cost	14,999	8,736	—	30,526	54,261
Accumulated depreciation	(867)	(454)	—	—	(1,321)
Net book amount	**14,132**	**8,282**	**—**	**30,526**	**52,940**
Year ended 31 December 2019					
Opening net book amount	14,132	8,282	—	30,526	52,940
Additions	10,379	1,963	565	122,265	135,172
Disposals	(67)	—	—	—	(67)
Transfers	5,031	—	24,206	(29,237)	—
Depreciation charges *(Note 8)*	(4,217)	(1,727)	(3,169)	—	(9,113)
Closing net book amount	**25,258**	**8,518**	**21,602**	**123,554**	**178,932**

	Machinery	Electronic equipment	Leasehold Improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019					
Cost	30,327	10,699	24,771	123,554	189,351
Accumulated depreciation	(5,069)	(2,181)	(3,169)	—	(10,419)
Net book amount	**25,258**	**8,518**	**21,602**	**123,554**	**178,932**
Six months ended 30 June 2019 (Unaudited)					
Opening net book amount	14,132	8,282	—	30,526	52,940
Additions	6,805	1,007	504	17,195	25,511
Disposals	(67)	—	—	—	(67)
Transfer	5,025	—	24,206	(29,231)	—
Depreciation charges *(Note 8)*	(1,893)	(812)	(691)	—	(3,396)
Closing net book amount	**24,002**	**8,477**	**24,019**	**18,490**	**74,988**
As at 30 June 2019 (Unaudited)					
Cost	26,747	9,743	24,710	18,490	79,690
Accumulated depreciation	(2,745)	(1,266)	(691)	—	(4,702)
Net book amount	**24,002**	**8,477**	**24,019**	**18,490**	**74,988**
Six months ended 30 June 2020					
Opening net book amount	25,258	8,518	21,602	123,554	178,932
Additions	2,450	1,084	221	64,026	67,781
Transfer	4,219	—	—	(4,219)	—
Acquisition of subsidiaries	3,815	3,918	—	—	7,733
Depreciation charges *(Note 8)*	(2,224)	(1,333)	(2,484)	—	(6,041)
Closing net book amount	**33,518**	**12,187**	**19,339**	**183,361**	**248,405**
As at 30 June 2020					
Cost	40,811	15,701	24,992	183,361	264,865
Accumulated depreciation	(7,293)	(3,514)	(5,653)	—	(16,460)
Net book amount	**33,518**	**12,187**	**19,339**	**183,361**	**248,405**

(a) Depreciation of the Group charged to profit or loss is analyzed as follows:

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
General and administrative expenses	316	2,120	1,540	1,106
Research and Development expenses	759	6,993	1,856	4,935
	1,075	9,113	3,396	6,041

(b) Capitalized borrowing costs are nil, RMB312,000 and RMB2,009,000 during the years ended 31 December 2018 and 2019 and the six months period ended 30 June 2020 respectively. The capitalization rate of borrowings was nil, 4.90% and 4.90% for the year ended 31 December 2018 and 2019 and the six months ended 30 June 2020 respectively.

14 Right-of-use Assets

The Group leases offices for its own use. Information about leases for which the Group is a lessee is presented below:

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Cost	22,163	35,730	35,730	35,503
Accumulated depreciation	(4,001)	(11,946)	(7,412)	(16,403)
Net book amount	18,162	23,784	28,318	19,100
Opening net book amount	20,140	18,162	18,162	23,784
Additions	2,023	13,567	13,567	—
Exemption on rental fee *(Note)*	—	—	—	(227)
Depreciation charge	(4,001)	(7,945)	(3,411)	(4,457)
Closing net book amount	18,162	23,784	28,318	19,100

Note: Due to COVID-19, rental expenses from 1 February 2020 to 31 March 2020 for certain locations were exempted.

The consolidated statements of comprehensive loss and the consolidated statements of cash flows contain the following amounts relating to leases:

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Depreciation charge of right-to-use assets	(4,001)	(7,945)	(3,411)	(4,457)
Interest expenses	(900)	(884)	(499)	(290)
The cash outflow for leases as operating activities	(5,575)	(5,064)	(1,940)	(2,211)
The cash outflow for leases as financing activities	(2,643)	(5,243)	(975)	(4,701)

15 Intangible assets

Group:

	Computer software	Licenses	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2018				
Cost	137	75,601	—	75,738
Accumulated amortization	(10)	—	—	(10)
Net book amount	**127**	**75,601**	**—**	**75,728**
Year ended 31 December 2018				
Opening net book amount	127	75,601	—	75,728
Additions	501	—	—	501
Amortization charges *(Note 8)*	(33)	—	—	(33)
Currency translation differences	—	3,806	—	3,806
Closing net book amount	**595**	**79,407**	**—**	**80,002**
As at 31 December 2018				
Cost	638	79,407	—	80,045
Accumulated amortization	(43)	—	—	(43)
Net book amount	**595**	**79,407**	**—**	**80,002**

	Computer software	Licenses	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019				
Opening net book amount	595	79,407	—	80,002
Additions	1,383	61,318	10,737	73,438
Amortization charges *(Note 8)*	(245)	—	—	(245)
Currency translation differences	—	3,752	—	3,752
Closing net book amount	**1,733**	**144,477**	**10,737**	**156,947**
As at 31 December 2019				
Cost	2,021	144,477	10,737	157,235
Accumulated amortization	(288)	—	—	(288)
Net book amount	**1,733**	**144,477**	**10,737**	**156,947**
Six months ended 30 June 2019 (unaudited)				
Opening net book amount	595	79,407	—	80,002
Additions	787	61,318	217	62,322
Amortization charges *(Note 8)*	(108)	—	—	(108)
Currency translation differences	—	1,650	—	1,650
Closing net book amount	**1,274**	**142,375**	**217**	**143,866**
As at 30 June 2019(Unaudited)				
Cost	1,425	142,375	217	144,017
Accumulated amortization	(151)	—	—	(151)
Net book amount	**1,274**	**142,375**	**217**	**143,866**
Six months ended 30 June 2020				
Opening net book amount	1,733	144,477	10,737	156,947
Additions	—	—	2,353	2,353
Transfer	1,002	—	(1,002)	—
Acquisition of subsidiaries *(Note 32)*	1	674,676	—	674,677
Amortization charges *(Note 8)*	(176)	—	—	(176)
Currency translation differences	—	2,139	—	2,139
Closing net book amount	**2,560**	**821,292**	**12,088**	**835,940**
As at 30 June 2020				
Cost	3,024	821,292	12,088	836,404
Accumulated amortization	(464)	—	—	(464)
Net book amount	**2,560**	**821,292**	**12,088**	**835,940**

Company

	Licenses
	RMB'000
As at 1 January 2018	
Cost	75,601
Accumulated amortization	—
Net book amount	**75,601**
Year ended 31 December 2018	
Opening net book amount	75,601
Currency translation differences	3,806
Closing net book amount	**79,407**
As at 31 December 2018	
Cost	79,407
Accumulated amortization	—
Net book amount	**79,407**
Year ended 31 December 2019	
Opening net book amount	79,407
Additions	61,318
Currency translation differences	3,752
Closing net book amount	**144,477**
As at 31 December 2019	
Cost	144,477
Accumulated amortization	—
Net book amount	**144,477**
Six months ended 30 June 2019 (unaudited)	
Opening net book amount	79,407
Additions	61,318
Currency translation differences	1,650
Closing net book amount	**142,375**
As at 30 June 2019 (Unaudited)	
Cost	142,375
Accumulated amortization	—
Net book amount	**142,375**

	Licenses
	RMB'000
Six months ended 30 June 2020	
Opening net book amount	144,477
Currency translation differences	2,139
Closing net book amount	**146,616**
As at 30 June 2020	
Cost	146,616
Accumulated amortization	—
Net book amount	**146,616**

(a) Amortization of intangible assets has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Administrative expenses *(Note 8)*	33	234	105	167
Research and development Expenses *(Note 8)*	—	11	3	9
	33	245	108	176

(b) Licenses

(i) License and Strategic Alliance Agreement

In December 2017, the Group entered into License and Strategic Alliance Agreement ("**License and Strategic Alliance Agreement**") with Juno Therapeutics, Inc., ("**Juno**") to develop and commercialize Relma-cel in mainland China, Hong Kong and Macau. Pursuant to the terms of License and Strategic Alliance Agreement, as disclosed in Note 29, the Group made two upfront payments for acquiring Relma-cel by the issuance of Relma-cel Warrants, which can be converted into Series A1 and Series A2 preferred shares. The Group recognized a total amount of USD11,570,000 (equivalent to RMB75,601,000) as intangible assets based on the fair value. The Group also agreed to pay Juno clinical development milestone payments and royalties on net sales in mainland China, Hong Kong and Macau.

(ii) BCMA license

In April 2019, the Group entered into License Agreement — BCMA ("**BCMA License Agreement**") with Juno to develop and commercialize JWCAR129 in mainland China, Hong Kong and Macau. Pursuant to the terms of the BCMA License Agreement, as disclosed in Note 29, the Group made two upfront payments for acquiring JWCAR129 by the issuance of BCMA warrants, which can be converted into Series X preferred shares. The Group recognized a total amount of USD9,140,000 (equivalent to RMB61,318,000) as intangible assets based on the fair value. The Group also agreed to pay Juno clinical development milestone payments and royalties on net sales in mainland China, Hong Kong and Macau.

Recognition

The Company has engaged an independent valuer to determine the fair value of each license. The discounted cash flow method was used to determine the value of each license. Key assumptions are listed below:

Relma-cel:	**December 2017**
Gross margin	49.4%~75.8%
Revenue growth rate	0.5%~383.7%
Discount rate	23%

JWCAR129:	**April 2019**
Gross margin	72.6%~75.9%
Revenue growth rate	3.5%~135.9%
Discount rate	23%

Impairment test

Impairment test of licenses not ready for use are tested on the cash generating unit ("**CGU**") level, which is at product level and includes each license, allocated construction in progress in property, plant and equipment (Note 13) and allocated construction in progress in intangible assets respectively.

The impairment test was performed for each CGU by engaging an independent valuer to estimate the value in use as the recoverable amount of each drug. The fair value is based on the multi-period excessive earning method. The estimated revenue of each drug is based on management's expectations of timing of commercializing related products to respective drug. The cost and operating expenses are estimated by considering margins levels of the Group's business, expected revenue contribution of respective drug to the Group's total revenue and appropriate adjustments to reflect the characteristics of respective license. The discount rates used are pre-tax and reflect specific risks relating to the relevant drug that would be considered by market participants.

The key assumptions used for recoverable amount calculations as at 31 December 2018 and 2019 and 30 June 2020 are as followed:

Relma-cel:

	As at 31 December		As at 30 June
	2018	**2019**	**2020**
Pre-tax discount rate	25%	25%	25%
Revenue growth rate	0.5%~383.7%	0.5%~383.7%	0.5%~383.7%
Recoverable amount of CGU *(in RMB million)*	297	770	1,072
Carrying amount of CGU *(in RMB million)*	79	198	254

JWCAR129:

	As at 31 December	As at 30 June
	2019	**2020**
Pre-tax discount rate	25%	25%
Revenue growth rate	3.5%~135.9%	3.5%~135.9%
Recoverable amount of CGU *(in RMB million)*	112	149
Carrying amount of CGU *(in RMB million)*	81	89

Based on the result of above assessment, these was no impairment for the intangible asset as at 31 December 2018 and 2019 and 30 June 2020.

Impairment test-sensitivity

The Company performed sensitivity test by increasing 1% of pre-tax discount rate or decreasing 1% of revenue growth rate, which are the key assumptions determine the recoverable amount of each intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

Relma-cel:

	As at 31 December		As at 30 June
	2018	2019	2020
	(in RMB million)	*(in RMB million)*	*(in RMB million)*
Headroom	218	572	818
Impact by increasing pre-tax discount rate	(65)	(90)	(102)
Impact by decreasing revenue growth rate	(57)	(81)	(79)

JWCAR 129:

	As at 31 December	As at 30 June
	2019	2020
	(in RMB million)	*(in RMB million)*
Headroom	31	60
Impact by increasing pre-tax discount rate	(16)	(18)
Impact by decreasing revenue growth rate	(9)	(3)

Considering there was still sufficient headroom based on the assessment, management believes that a reasonably possible change in any of the key assumptions on which management has based its determination of each CGU's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

(iii) License acquired in business combination

Licenses acquired in a business combination (Note 32) are recognized at fair value at the acquisition date, which includes certain licenses under development and commercialization in mainland China, Hong Kong, Macau, Taiwan and the member countries of Association of South East Asia Nation. The Group recognized a total amount of USD95,300,000 (equivalent to RMB674,676,000) as intangible assets based on the fair value.

Recognition

The Company has engaged an independent valuer to determine the fair value of the licenses. The discounted cash flow method was used to determine the value of each license. Key assumptions are listed below:

	As at 30 June 2020
Gross margin	79.1%~81.4%
Revenue growth rate	3.1%~229.4%
Discount rate	24%

Impairment test

The directors consider that the carrying amount of the licenses as of 30 June 2020 was equal to the fair value determined using the discounted cash flow method on the acquisition day. No impairment for the license was expected on 30 June 2020.

16 Prepayment for license

Group and Company:

	As at 31 December		As at 30 June
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Prepayment for license *(Note)*	—	—	7,080

Note: In January 2020, the Company entered into an Option and License Agreement with Acepodia Biotechnologies, Ltd. ("**Acepodia**"), pursuant to which, the Company was granted an exclusive option to acquire an exclusive right and license to manufacture, develop, use, sell, offer for sale, import and otherwise commercialize certain products. On 3 February 2020, the Company paid first instalment of USD1,000,000 (equivalent to RMB7,080,000) to Acepodia.

17 Other non-current assets

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Value-added tax recoverable	10,657	25,059	37,456
Prepayments for property, plant and equipment	6,227	19,003	1,995
Rental deposits	1,380	2,574	2,783
Others	140	980	980
	18,404	47,616	43,214

18 Other receivables and prepayments

Group

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Prepayments to suppliers	945	2,899	5,075
Deposits	331	87	1,975
Others	—	—	103
Total	**1,276**	**2,986**	**7,153**

The carrying amounts of the Group's other receivables and prepayments are denominated in following currencies.

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
RMB	1,276	2,986	4,614
USD	—	—	2,539
Total	**1,276**	**2,986**	**7,153**

None of the above assets is past due or impaired. The financial assets included in the above balances related to deposits for which there was no history of default and the expected credit losses are considered minimal.

The carrying amounts of the Group's other receivables approximate their fair values.

Company

	As at 31 December		As at 30 June
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Listing expenses	—	—	2,539
Amounts due from subsidiaries *(Note)*	339,892	725,691	1,302,081
	339,892	725,691	1,304,620

None of the above assets is past due or impaired. The financial assets included in the above balances related to amounts due from subsidiaries for which there was no history of default and the expected credit losses are considered minimal.

Note: The amounts are non-traded, unsecured, interest-free and repayable on demand.

19 Cash and cash equivalents

Group

(a) Restricted bank deposits

	As at 31 December		As at 30 June
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Restricted cash pledged for borrowings *(Note 26)*	36,375	—	—
Restricted cash deposit for hedging arrangement *(Note)*	—	3,488	3,540
	36,375	3,488	3,540

Note: The Group had placed USD 500,000 cash deposits with a bank for hedging arrangement. As of 31 December 2019 and 30 June 2020, no hedging had been arranged.

(b) Cash and cash equivalents

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks			
— RMB	65,430	66,347	42,425
— USD	68,233	188,519	817,732
— HKD	—	—	39
Cash at hand			
— RMB	—	—	1
Total	133,663	254,866	860,197

The carrying amount of bank deposits approximates their fair value.

Company

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks			
— USD	5,700	12,588	144,219

20 Financial instruments by category

Group

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortized costs:			
— Deposit	1,711	2,661	4,758
— Restricted cash	36,375	3,488	3,540
— Cash and cash equivalents	133,663	254,866	860,197
Total	171,749	261,015	868,495

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Liabilities			
Financial liabilities at fair value:			
— Contingent consideration for business combination	—	—	51,793
— Preferred shares	413,195	1,420,454	2,637,440
Financial liabilities at amortized costs:			
— Other payable	39,748	80,008	98,182
— Borrowings	40,054	50,823	100,000
Lease liabilities-current	3,098	10,096	10,135
Lease liabilities-non-current	15,538	16,864	12,124
Total	511,633	1,578,245	2,909,674

Company

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortized costs:			
— Amounts due from subsidiaries	339,892	725,691	1,302,081
— Cash and cash equivalents	5,700	12,588	144,219
Total	345,592	738,279	1,446,300

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Liabilities			
Financial liabilities at fair value:			
— Contingent consideration for business combination	—	—	51,793
— Preferred shares	413,195	1,420,454	2,637,440
Financial liabilities at amortized costs:			
— Other payable	—	410	7,100
Total	413,195	1,420,864	2,696,333

21 Share capital-Group and Company

Authorized:

	Number of shares	Nominal value of shares	RMB equivalent value
	In thousands	*USD*	*RMB'000*
Authorized shares upon incorporation *(Note(a))*	50	50,000	332
Shares subdivision on 14 November 2017 *(Note(a))*	499,950	—	—
As at 31 December 2018 and 2019 and 30 June 2020	500,000	50,000	332

Issued and fully paid:

	Number of ordinary shares	Nominal value	RMB equivalent value
	In thousands	*USD*	*RMB'000*
As at 1 January 2018, 31 December 2018 and 1 January 2019 *(Note(a))*	6,500	650	4
As at 31 December 2019 and 1 January 2020	6,500	650	4
Allotment of shares *(Note(b))*	4,631	463	3
As at 30 June 2020	11,131	1,113	7

Note(a): On 6 September 2017, the Company was incorporated in the Cayman Islands with an authorized share capital of USD50,000 divided into 50,000 ordinary shares with a par value of USD1.00 each. At the time of incorporation, the Company allotted and issued one Share to the initial subscriber, Mapcal Limited, which in turn on the same day transferred the one Share to WuXi AppTec (Hong Kong) Holding Limited ("**Wuxi HK**") at par value USD1.00.

On 14 November 2017, the Company underwent a subdivision of shares whereby the Company's authorized share capital of USD50,000 was amended by re-designation from 50,000 ordinary shares of USD1.00 par value each into 500,000,000 shares of USD0.0001 par value each. On the same day, Company issued 6,490,000 share capital with par value of USD0.0001, of which 3,240,000 shares were allotted to Wuxi HK, 2,500,000 shares were allotted to Juno and 750,000 shares was allotted to JDI Capital Management Limited.

Note(b): On 30 June 2020, the Company issued 4,631,374 ordinary shares to Syracuse Biopharma (Cayman) Ltd., ("**Syracuse Cayman**") with fair value of USD19.16 each as consideration for the acquisition of Syracuse Biopharma (Hong Kong) Limited ("**Syracuse HK**") and its subsidiaries ("**Syracuse Group**") (Note 32). On 1 July 2020, 293,283 ordinary shares were transferred from Syracuse Cayman to Be Angels LLC.

On 21 August 2020, the Company underwent a subdivision of shares whereby each issued and unissued share of par value US$0.0001 each in our Company's authorized share capital shall be subdivided into 10 shares of US$0.00001 par value each, such that immediately following such share subdivision, our Company's authorized share capital shall be US$50,000 divided into (a) 4,838,998,090 Shares of par value US$0.00001 each; (b) 38,518,530 Series A1 Preferred Shares of par value US$0.00001 each; (c) 64,271,700 Series A2 Preferred Shares of par value US$0.00001 each; (d) 9,331,060 Series X Preferred Shares of par value US$0.00001 each and (e) 48,880,620 Series B Preferred Shares of par value US$0.00001 each. The number of our Company's issued share capital was 111,313,740 after the subdivision.

22 Reserves

Group

	Share premium	Share-based compensation reserve	Foreign currency translation	Capital reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note(a)	*Note(b)*	*Note(c)*	*Note(d)*	
Balance at 1 January 2018	40,615	—	(22)	12,225	52,818
Currency translation differences	—	—	(14,208)	—	(14,208)
Balance at 31 December 2018	**40,615**	**—**	**(14,230)**	**12,225**	**38,610**
Balance at 1 January 2019	40,615	—	(14,230)	12,225	38,610
Share based compensation expenses *(Note 9)*	—	15,443	—	—	15,443
Currency translation differences	—	—	(11,324)	—	(11,324)
Balance at 31 December 2019	**40,615**	**15,443**	**(25,554)**	**12,225**	**42,729**
Balance at 1 January 2019	40,615	—	(14,230)	12,225	38,610
Currency translation differences	—	—	(1,680)	—	(1,680)
Balance at 30 June 2019 (Unaudited)	**40,615**	**—**	**(15,910)**	**12,225**	**36,930**
Balance at 1 January 2020	40,615	15,443	(25,554)	12,225	42,729
Share based compensation expenses *(Note 9)*	—	57,471	—	—	57,471
Currency translation differences	—	—	(18,338)	—	(18,338)
Issuance of ordinary shares *(Note 32)*	628,211	—	—	—	628,211
Balance at 30 June 2020	**668,826**	**72,914**	**(43,892)**	**12,225**	**710,073**

Company

	Share premium	Share-based compensation reserve	Foreign currency translation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note(a)	*Note(b)*	*Note(c)*	
Balance at 1 January 2018	40,615	—	—	40,615
Currency translation differences	—	—	(2,009)	(2,009)
Balance at 31 December 2018	**40,615**	**—**	**(2,009)**	**38,606**
Balance at 1 January 2019	40,615	—	(2,009)	38,606
Share based compensation expenses *(Note 9)*	—	15,443	—	15,443
Currency translation differences	—	—	(5,518)	(5,518)
Balance at 31 December 2019	**40,615**	**15,443**	**(7,527)**	**48,531**
Balance at 1 January 2019	40,615	—	(2,009)	38,606
Currency translation differences	—	—	(437)	(437)
Balance at 30 June 2019 (Unaudited)	**40,615**	**—**	**(2,446)**	**38,169**
Balance at 1 January 2020	40,615	15,443	(7,527)	48,531
Share based compensation expenses *(Note 9)*	—	57,471	—	57,471
Currency translation differences	—	—	(11,924)	(11,924)
Issuance of ordinary shares *(Note 32)*	628,211	—	—	628,211
Balance at 30 June 2020	**668,826**	**72,914**	**(19,451)**	**722,289**

(a) Share premium arose from:

(i) the issue of shares of the Company at a total price of USD6,200,000 (equivalent to RMB40,619,000) in excess of their par value before the Track Record Period;

(ii) the issue of shares of the Company at a total price of USD88,737,000 (equivalent to RMB628,214,000) in excess of their par value as consideration for the acquisition of subsidiaries (Note 32).

(b) Share-based compensation reserve arises from share-based payment granted to employees of the Group.

(c) Foreign currency translation represents the difference arising from the translation of financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

(d) Capital reserve represents the difference of aggregate consideration paid by the Group and the aggregate capital of the subsidiaries acquired before the Track Record Period.

23 Share-based payments

(a) Stock option and restricted share unites

Pursuant to a resolution dated 4 September 2019, the Company adopted a 2019 Stock Option Scheme ("**stock option**") and a 2019 restricted share scheme ("**RSU**") (together, "**2019 Plan**"). The Company granted 346,945 stock options and 685,242 RSUs to certain directors and senior management of the Group, as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries. In addition, the Company granted 39,685 stock options to two consultants, as reward of their past services.

Pursuant to a resolution dated 30 June 2020, the Company adopted a 2020 Stock Option and a 2020 RSU (together, "**2020 Plan**"). The Company granted 248,441 stock options and 1,371,925 RSUs to certain directors, senior management and employees of the Group as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries. In addition, the Company granted 96,662 RSUs to three consultants, as reward of their past services.

For stock options and RSU granted, subject to the meeting of the criteria of the Company being approved by Listing Committee (as defined in the Listing Rules) or being listed on the Main Board of the Stock Exchange of Hong Kong Limited and the directors, senior management and employees being still on service at the end of each vesting period.

Pursuant to the 2019 Plan and 2020 Plan, certain directors and senior managements' stock options and RSUs were vested on the grant date to compensate for their past services before the date of grant. The vesting schedule for the remaining stock options and RSUs are set out below:

The granted shares of 2019 plan can be vested in four tranches with the following vesting schedule:

(a) zero percent (0%) will vest on the date of the first anniversary of the vesting commencement date,

(b) thirty percent (30%) will vest on the date of the second anniversary of the vesting commencement date,

(c) thirty percent (30%) will vest on the date of the third anniversary of the vesting commencement, and

(d) forty percent (40%) will vest on the date of the fourth anniversary of the vesting commencement date.

The granted shares of 2020 plan can be vested in four tranches with the following vesting schedule:

(a) twenty-five percent (25%) will vest on the date of the first anniversary of the vesting commencement date,

(b) twenty-five percent (25%) will vest on the date of the second anniversary of the vesting commencement date,

(c) twenty-five percent (25%) will vest on the date of the third anniversary of the vesting commencement, and

(d) twenty-five percent (25%) will vest on the date of the fourth anniversary of the vesting commencement date.

The following table summarizes the Group's stock option activities:

	Year ended 31 December			
	2018		2019	
	Weighted average exercise price (in USD)	Number of stock options	Weighted average exercise price (in USD)	Number of stock options
As at beginning of the year	—	—	—	—
Granted during the year	—	—	1.57	386,630
Forfeited during the year	—	—	—	—
As at year end	—	—	1.57	386,630
Vested at end of year	—	—	1.00	45,602

	Six months ended 30 June			
	2019		2020	
	Weighted average exercise price (in USD)	Number of stock options	Weighted average exercise price (in USD)	Number of stock options
	(Unaudited)	(Unaudited)		
As at beginning of the period	—	—	1.57	386,630
Granted during the period	—	—	0.001	248,441
Forfeited during the period	—	—	1.00	(20,940)
As at period end	—	—	0.95	614,131
Vested at end of period	—	—	1.61	92,702

The following table summarizes the Group's restricted shares activities:

	Year ended 31 December		Six months ended 30 June	
	2018 Numbers of shares	2019 Numbers of shares	2019 Numbers of shares	2020 Numbers of shares
			(Unaudited)	
At the beginning of year/period	—	—	—	685,242
Granted during the year/period	—	685,242	—	1,468,587
At the end of year/period	—	685,242	—	2,153,829
Vested at year/period end	—	131,549	—	624,983

(b) Fair value of stock option and RSU granted

Fair value of RSU is measured based on the fair value of the Group's ordinary shares, which is USD7.26 for 2019 Plan and USD19.16 for 2020 Plan. The fair value of ordinary shares is determined by discounted cash flow method. The key assumption for discounted cash flow model is the discount rate, which is 18% for 2019 and 17% for 2020 Plan.

Based on fair value of the underlying ordinary shares, the Group has used Binomial option-pricing model to determine the fair value of the stock option as of the grant date. Key assumptions are set as below:

	2019 Plan	2020 Plan
Risk-free interest rate	1.47%	0.66%
Volatility	47%	47%
Grant date option fair value per share	USD3.32~USD6.31	USD19.16
Exercise price	USD1, USD6.55	USD0.001

(c) Expenses arising from share-based payment transactions

Expenses for the share-based payments have been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Administrative expenses	—	4,642	—	47,401
Research and development expenses	—	10,801	—	10,070
Total	—	15,443	—	57,471

24 Dividend

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020.

25 Accruals and other payables

Group

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Payable for acquisition of a subsidiary *(Note)*	—	—	39,200
Accrued expenses	18,095	17,002	28,178
Payables for purchase of property, plant and equipment	13,173	55,305	24,065
Payables for purchase of materials	8,480	7,701	6,739
Staff salaries and welfare payables	7,776	12,009	8,137
Payroll tax	561	331	512
Deferred income	358	1,056	4,559
Total	**48,443**	**93,404**	**111,390**

Note: The payable represent the acquisition cost payable by Syracuse HK and its subsidiaries before the Group acquired Syracuse Group on 30 June 2020 (Note 32). The total cash inflow from the business combination were RMB45,308,000, which includes the funding from Syracuse HK's previous shareholder Syracuse Cayman amounting RMB39,200,000 to compensate the acquisition cost.

The carrying amounts of other payables of the Group are denominated in the following currencies:

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
RMB	26,994	73,797	40,644
USD	3,354	2,605	42,568
	30,348	**76,402**	**83,212**

Company

	As at 31 December		As at 30 June
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Accrued listing expenses	—	—	4,963
Accrued office expenses and others	—	410	2,137
Total	**—**	**410**	**7,100**

26 Borrowings — Group

	As at 31 December		As at 30 June
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Unsecured bank borrowings	—	50,823	100,000
Current			
Secured bank borrowings *(Note)*	40,054	—	—
Total Borrowings	40,054	50,823	100,000

Note: The Group pledged cash at banks to secure the borrowings (Note 19).

At 31 December 2018,2019 and 30 June 2020, the Group's borrowings were repayable as follows:

	As at 31 December		As at 30 June
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	40,054	—	—
Between 1 and 2 years	—	—	2,500
Between 2 and 3 years	—	5,000	8,500
Between 3 and 4 years	—	12,000	21,500
Between 4 and 5 years	—	31,000	41,500
Between 5 and 6 years	—	2,823	26,000
	40,054	50,823	100,000

The weighted average effective interest rates at each balance sheet date were as follows:

	As at 31 December		As at 30 June
	2018	2019	2020
Bank borrowings — RMB	5.68%	4.78%	4.90%

The fair values of borrowings equal to their carrying amounts as the discounting impact is not significant.

As at 31 December, 2018 and 2019, 30 June 2020, the Group has unutilized bank facility of RMB19,946,000, RMB49,177,000, and Nil, respectively.

27 Lease liabilities — Group

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Minimum lease payments due			
— Within 1 year	3,890	11,094	10,881
— Between 1 and 2 years	6,048	9,814	9,619
— Between 2 and 5 years	10,272	7,702	2,769
	20,210	28,610	23,269
Less: future finance charges	(1,574)	(1,650)	(1,010)
Present value of lease liabilities	**18,636**	**26,960**	**22,259**
Less: Current portion			
Lease liabilities	(3,098)	(10,096)	(10,135)
Non-current portion of lease liabilities	**15,538**	**16,864**	**12,124**

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
— Within 1 year	3,098	10,096	10,135
— Between 1 and 2 years	5,482	9,285	9,374
— Between 2 and 5 years	10,056	7,579	2,750
Present value of lease liabilities	**18,636**	**26,960**	**22,259**

The Group leases properties and lease liabilities were measured at net present value of the lease payments to be paid during the lease terms.

Lease liabilities were discounted at incremental borrowings rates of the Group.

For the total cash outflows for leases including payments of lease liabilities and payments of interest expenses on leases are disclosed in Note 14.

28 Preferred shares

	As at 31 December		As at 30 June
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Preferred shares.	413,195	1,420,454	2,637,440

The key terms of these financial instruments are summarized as follows:

Series A1 Preferred shares

In 2018, the Company issued 3,209,878 shares of Series A1 Preferred Shares at cash consideration of USD44,444,444 (equivalent to RMB281,706,000) and issued 641,975 shares of Series A1 Preferred Shares as the execution of Relma-cel warrant for Series A1 to Juno (Note 29).

Series A2 Preferred shares

In 2019, the Company issued 3,110,345 shares of Series A2 preferred shares at cash consideration of USD55,555,556 (equivalent to RMB373,811,000) and issued 3,316,825 shares of Series A2 preferred shares as the execution of Relma-cel warrant for Series A2 to Juno (Note 29).

Series X Preferred shares

In 2019, the Company issued 466,553 shares of Series X preferred shares as the execution of the first BCMA warrant to Juno (Note 29).

Series B Preferred shares

The company issued 4,888,062 shares of Series B preferred shares at cash consideration of USD100,000,000 (equivalent to RMB709,132,000) in May 2020.

Terms of Preferred shares

(a) Conversion right of the Preferred Shares

Each Preferred Share may, at the option of the holders, be converted at any time after the original issue date into fully-paid and non-assessable ordinary shares at an initial conversion ratio of 1:1 subject to (i) Adjustment for Share Splits and Combinations (ii) Adjustment for Ordinary Share Dividends and Distributions (iii) Adjustments for Reorganizations, Mergers, Consolidations, Reclassifications, Exchanges, Substitutions (iv) Adjustments to Conversion Price for Dilutive Issuance (v) Other Dilutive Events.

In addition, each Preferred Share shall automatically be converted, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares based on the then-effective applicable conversion price upon the closing of a Qualified IPO.

(b) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily, the preferred shareholders shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares. After distributing or paying in full the liquidation preference amount to all of the preferred shareholders, the remaining assets of the Company available for distribution to members, if any, shall be distributed to the holders of ordinary shares.

(c) Redemption right

The holders of Preferred Shares have the right to require the Company to redeem the Preferred Shares when the following events happen:

(i) if the Company has not achieved a Qualified IPO on or prior to 23 February 2026, or

(ii) in the event of any early termination of the First License Agreement arising from any material breach of the First License Agreement by the Company prior to 23 February 2021.

In respect of each such Redeeming Preferred Share, the Redemption Price equal to the sum of (i) Issue Price plus interest at a simple annual interest rate of six percent (6%), and (ii) any declared but unpaid dividends on such Share, with each Redemption Price to be paid by the Company.

The aforementioned series of Preferred Shares are classified as liabilities as the Company does not have the unconditional right to avoid delivery cash or another financial asset. In addition, the Preferred Shares are designated at fair value through profit or loss and initially recognized at fair value.

If the Company's own credit risk results in fair value changes in financial labilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts. During the Track Record Period, the fair value change due to the company's own credit risk has been immaterial.

Movements of preferred shares for the years ended 31 December 2018, 2019 and 30 June 2020 are set out below:

Group and Company

	RMB'000
At 1 January 2018	—
Issuance for cash	281,706
Execution of Relma-cel warrant for Series A1 *(Note 29)*	56,244
Change in fair value	46,028
Currency translation difference	29,217
At 31 December 2018	413,195
At 1 January 2019	413,195
Issuance for cash	373,811
Execution of Relma-cel warrant for Series A2 and the first BCMA warrant *(Note 29)*	470,990
Change in fair value	128,781
Currency translation difference	33,677
At 31 December 2019	1,420,454
At 1 January 2019	413,195
Issuance for cash	373,811
Execution of Relma-cel warrant for Series A2 *(Note 29)*	400,872
Change in fair value	3,901
Currency translation difference	15,222
At 30 June 2019 (Unaudited)	1,207,001
At 1 January 2020	1,420,454
Issuance for cash	709,132
Change in fair value	484,442
Currency translation difference	23,412
At 30 June 2020	2,637,440

The Company has engaged an independent valuer to determine the fair value of Preferred Shares. The discounted cash flow method was used to determine the total equity value of the Group and then equity allocation model was adopted to determine the fair value of the Preferred Shares as of the dates of issuance and at the end of each reporting period. Key valuation assumptions used to determine the fair value of preferred shares are as follows:

	As at 31 December		As at 30 June
	2018	2019	2020
Discount rate	19.0%	17.5%	17.0%
Risk-free interest rate	2.48%	1.59%	0.18%
Volatility	42%	48%	50%
IPO Possibility	10%	20%	60%

Sensitivity test

The Company performed sensitivity test to changes in unobservable inputs in determining the fair value of preferred shares issued by the Company. The changes in unobservable inputs including discount rate, IPO possibility and volatility will result in a significantly higher or lower fair value measurement. The increase in the fair value of preferred shares would increase the fair value loss in the consolidated statements of comprehensive loss. When performing the sensitivity test, management applied an increase or decrease to each unobservable input, which represents management's assessment of reasonably possible change to these unobservable inputs, and effect of those changes to the fair value of preferred shares is as below:

If the discount rate had increased/decreased 1%, the loss before income tax for the years ended 31 December 2018 and 2019 and six months ended 30 June 2020 would have been approximately RMB58,055,000 lower/RMB63,216,000 higher, RMB153,999,000 lower/RMB175,311,000 higher, and RMB344,505,000 lower/RMB422,552,000 higher respectively.

If the volatility had increased/decreased 5%, the loss before income tax for the years ended 31 December 2018 and 2019 and six months ended 30 June 2020 would have been approximately RMB3,612,000 lower/RMB3,096,000 higher, RMB7,517,000 lower/RMB7,040,000 higher, and RMB3,327,000 higher/RMB3,815,000 lower respectively.

If the IPO possibility had increased/decreased 10%, the loss before income tax for the years ended 31 December 2018 and 2019 and six months ended 30 June 2020 would have been approximately RMB16,772,000 lower/RMB16,772,000 higher, RMB36,058,000 lower/RMB36,026,000 higher, and RMB57,048,000 lower/RMB57,392,000 higher respectively.

29 Warrants

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Warrants	133,695	19,317	26,768

(a) Relma-cel Warrants

In connection with the License and Strategic Alliance Agreement (Note 15), two warrants were issued to the related preferred shareholder — Juno ("**Relma-cel Warrants**"), which the Company will issue preferred shares at: (i) an aggregate value of USD8,000,000 based on ninety percent of the price per share for Series A1, and (ii) an aggregate value up to 35% of equity interest of the Group for Series A2.

The Group recognized Relma-cel Warrants as a cash-settled share-based payments based on the fair value of Relma-cel at the grant date, which is recorded in "Warrants" in the consolidated balance sheet. The initial fair value of USD7,003,000 (equivalent to RMB45,759,000) for Relma-cel Warrant for Series A1 and USD4,567,000 (equivalent to RMB29,842,000) for Relma-cel Warrant for Series A2 at the grant date is recorded immediately as cash-settled share-based payments and classified as liabilities. The warrants were remeasured at each reporting date and at the date of settlement with changes in fair value recorded in profit or loss.

In May 2018, Juno exercised the Relma-cel Warrant for Series A1, and the Company issued 641,975 Series A1 preferred shares at a price of USD 13.85 per share for a total amount of USD8,888,889 (equivalent to RMB56,244,000).

In May 2019, Juno exercised the Relma-cel Warrant for Series A2, and the Company issued 3,316,825 Series A2 preferred shares at a price of USD 17.86 per share for a total amount of USD59,243,597 (equivalent to RMB400,872,000).

(b) BCMA Warrants

In connection with the BCMA License Agreement (Note 15), two warrants were issued to the related preferred shareholder — Juno ("**BCMA Warrants**"), which the Company will issue preferred shares at two aggregate value of USD10,000,000 each for Series X.

The Group recognized BCMA Warrants as a cash-settled share-based payments based on the fair value of JWCAR129 at the grant date, which is recorded in "Warrants" in the consolidated balance sheet. The initial fair value of USD8,545,000 (equivalent to RMB57,327,000) for the first BCMA warrant and USD595,000 (equivalent to RMB3,991,000) for the second BCMA warrant at the grant date is recorded immediately as cash-settled share-based payments and classified as liabilities. The warrants were remeasured at each reporting date and at the date of settlement with changes in fair value recorded in profit or loss.

In November 2019, Juno exercised the first BCMA Warrant, and the Company issued 466,553 Series X preferred shares at a price of USD21.43 per share for a total amount of USD10,000,000 (equivalent to RMB70,118,000).

The second BCMA Warrant has not been exercised at the date of this report.

Movements of warrants for the years ended 31 December 2018, 2019 and 30 June 2020 are set out below:

Group and Company

	RMB'000
At 1 January 2018	75,601
Exercise of Relma-cel warrant for Series A1 *(Note 28)*	(56,244)
Change in fair value	112,531
Currency translation difference	1,807
At 31 December 2018	133,695
At 1 January 2019	133,695
Issuance of warrant of BCMA warrants	61,318
Exercise of Relma-cel warrant for Series A2 and the first BCMA warrant *(Note 28)*	(470,990)
Change in fair value	300,264
Currency translation difference	(4,970)
At 31 December 2019	19,317
At 1 January 2019	133,695
Issuance of warrant of BCMA warrants	61,318
Exercise of Relma-cel warrant for Series A2 *(Note 28)*	(400,872)
Change in fair value	273,134
Currency translation difference	(4,440)
At 30 June 2019 (Unaudited)	62,835

	RMB'000
At 1 January 2020	19,317
Change in fair value	7,112
Currency translation difference	339
At 30 June 2020	26,768

The warrants are not traded in an active securities market, as such, with the assistance from an independent valuer, the fair value of warrants using discounted cash flow method to determine the underlying equity fair value of the Group. Key assumptions at the issuance are set as below:

Relma-cel Warrants:

	As at 31 December 2018
Time to maturity	0.36 years
Discount rate	19%
Risk-free interest rate	3.5%

BCMA Warrants:

	As at 31 December 2019	**As at 30 June 2020**
Time to maturity	2.28 years	1.78 years
Discount rate	17.5%	17%
Risk-free interest rate	3.0%	2.5%

30 Cash flow information

(a) Reconciliation of loss before income tax to cash used in operation

	As at 31 December		As at 30 June	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loss before income tax	(272,616)	(633,257)	(357,869)	(650,029)
Adjustments for				
— Depreciation *(Notes 13 and 14)*	5,076	17,058	6,807	10,498
— Amortization *(Note 15)*	33	245	108	176
— Share-based compensation expenses *(Note 23)*	—	15,443	—	57,471
— Finance costs/(income) — net *(Note 10)*	1,825	(469)	729	164
— Other gain-bargain purchase gain	—	—	—	(6,016)
— Fair value change on preferred shares *(Note 28)*	46,028	128,781	3,901	484,442
— Fair value change on warrants *(Note 29)*	112,531	300,264	273,134	7,112
— Disposal loss of property plant and equipment	—	67	67	—
	(107,123)	(171,868)	(73,123)	(96,182)
Changes in working capital:				
— Decrease/(increase) in prepayments and other receivable	3,125	(1,710)	(4,960)	(2,226)
— Increase in other assets	(7,578)	(16,436)	(8,636)	(12,225)
— Increase/(decrease) in accruals and other payable	4,258	(729)	(17,162)	3,630
Cash used in operations	(107,318)	(190,743)	(103,881)	(107,003)

(b) In consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net book amount	—	67	67	—
Losses on disposal of property plant and equipment	—	(67)	(67)	—
Proceeds from the disposal	**—**	**—**	**—**	**—**

(c) Major non-cash transactions

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Issuance of warrants	—	61,318	61,318	—
Exercise of warrants	(56,244)	(470,990)	(400,872)	—
Issuance of preferred shares	56,244	470,990	400,872	—
Issuance of ordinary shares	—	—	—	628,214
	—	61,318	61,318	628,214

(d) Changes in liabilities from financing activities

	Lease Liabilities	Borrowings	Preferred shares
	RMB'000	*RMB'000*	*RMB'000*
1 January 2018	19,256	30,000	—
Cash flows	(2,643)	10,054	281,706
Interest expenses	(900)	—	—
Impact of changes in foreign exchange rate	—	—	29,217
Changes in fair value	—	—	46,028
Other non-cash movement	2,923	—	56,244
At 31 December 2018	**18,636**	**40,054**	**413,195**

	Lease Liabilities	Borrowings	Preferred shares
	RMB'000	*RMB'000*	*RMB'000*
1 January 2019	18,636	40,054	413,195
Cash flows	(5,243)	10,769	373,811
Interest expenses	(884)	—	—
Impact of changes in foreign exchange rate.	—	—	33,677
Changes in fair value	—	—	128,781
Other non-cash movement	14,451	—	470,990
At 31 December 2019	**26,960**	**50,823**	**1,420,454**

	Lease Liabilities	Borrowings	Preferred shares
	RMB'000	*RMB'000*	*RMB'000*
1 January 2019	18,636	40,054	413,195
Cash flows	(975)	(16,645)	373,811
Interest expenses	(499)	—	—
Impact of changes in foreign exchange rate.	—	—	15,222
Changes in fair value	—	—	3,901
Other non-cash movement	14,066	—	400,872
At 30 June 2019 (Unaudited)	**31,228**	**23,409**	**1,207,001**

	Lease Liabilities	Borrowings	Preferred shares
	RMB'000	*RMB'000*	*RMB'000*
1 January 2020	26,960	50,823	1,420,454
Cash flows	(4,701)	49,177	709,132
Interest expenses	(290)	—	—
Impact of changes in foreign exchange rate.	—	—	23,412
Changes in fair value	—	—	484,442
Other non-cash movement	290	—	—
At 30 June 2020	**22,259**	**100,000**	**2,637,440**

31 Commitments

(a) Capital commitments

Capital expenditure contracted for by the Group at the balance sheet date but not yet incurred is as follows:

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	—	2,326	994

(b) Operating lease commitments — where the Group is the lessee

At the balance sheet dates, lease commitments of the Group for leases not yet commenced for short-term lease and low-value lease are as follows:

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
No later than 1 year	237	361	896
Later than 1 year and no later than 2 years	8	8	101
Later than 2 years and no later than 5 years	22	14	55
	267	383	1,052

32 Business Combination

On 30 June 2020, the Group acquired 100% equity interest of Syracuse Group from Syracuse Cayman which is engaged in research and development ("**R&D**"), manufacturing, and marketing of anti-tumor drugs. As part of the acquisition, the Group also entered into a License Agreement ("**Eureka License Agreement**") with Eureka Therapeutics Inc., Eureka Therapeutics (Cayman), Inc. and Syracuse Cayman. The total consideration for the acquisition including Eureka License Agreement is USD96,053,000 (equivalent to RMB680,007,000), which consists of 4,631,374 shares issued by the Company on 30 June 2020 (Note 21) and contingent consideration to be settled by ordinary shares within 12 months after acquisition date. The contingent consideration is recognized at fair value by discount cash flow model and classified as a financial liability measured at fair value through profit or loss. The key assumption for discounted cash flow model is the discount rate, which is 17%. The contingent consideration includes an initial holdback for any future adjustments with deduction, including net working capital adjustment, taxes to be paid etc. The fair value of the ordinary shares issued as the consideration was based on the share price on 30 June 2020 of USD19.16 per share valued by an independent valuer. Issue costs directly attributable to the issue of the shares was not material. The acquisition is a business combination not under common control.

The fair value of contingent consideration for business combination is affected by changes in discount rate. If the discount rate had increased/decreased 1% with all other variables held constant, the fair value of contingent consideration for business combination as at 30 June 2020 would have been approximately RMB465,000 lower/RMB473,000 higher.

The Group controlled the board and business of Syracuse Group through the appointment of director to the board of Syracuse Hong Kong effective from 30 June 2020. Accordingly, the acquisition date was determined on 30 June 2020.

The following table summarize the consideration paid for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date.

	As at 30 June 2020
	RMB'000
Fair value of ordinary shares issued	628,214
— *Share capital*	*3*
— *Reserves*	*628,211*
Fair value of contingent consideration	51,793
Total consideration	680,007

Recognized amounts of identifiable assets acquired and liabilities assumed

	As at 30 Jun 2020
	RMB'000
Cash and cash equivalents	45,308
Licenses *(Note 15)*	674,676
Other assets	9,273
Accruals and other payables	(43,234)
Total identifiable net assets	686,023
Bargain purchase gain	(6,016)
	680,007

The total cash flows from business combination were the net cash inflows derived from the cash and cash equivalents acquired from Syracuse Group, as the consideration for the acquisition are ordinary shares granted to the then equity holders of Syracuse Group.

The acquired business contributed no revenue and no profit of the Group as the acquisition was completed on 30 June 2020.

If the acquisitions had occurred on 1 January 2020, the comprehensive loss for the period ended 30 June 2020 would have been increased by RMB48,020,000.

33 Related party transactions

Save as disclosed elsewhere in the report, the major related parties that had transactions and balances with the Group were as follows:

Name of related parties	Relationship with the Group
WuXi AppTec Group *(Note)*	Shareholder and its affiliates
Juno	Shareholder
Yiping James Li	Director

Note: The Group had transactions and balances with affiliates of WuXi AppTec Co., Ltd. ("**WuXi AppTec Group**"), which is considered as a related party for the Group.

(a) Key management compensation

The directors are regarded as the key management of the Group. The compensation paid or payable to the key management for employment services is disclosed in Note 9.

(b) Transactions with related parties

(i) Short-term lease and low value lease expenses

	Year ended 31 December		Six months ended 30 June	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
WuXi AppTec Group.	2,647	2,851	1,361	1,387

(ii) Receiving services

	Year ended 31 December		Six months ended 30 June	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
WuXi AppTec Group.	7,945	7,832	5,632	3,512

(iii) Purchase of materials

	Year ended 31 December		Six months ended 30 June	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
WuXi AppTec Group.	2,053	808	418	143
Juno	4,622	2,274	438	731
	6,675	3,082	856	874

(iv) Purchase of property, plant and equipment

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
WuXi AppTec Group	—	—	—	69

(v) Purchase of license

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Juno	—	61,318	61,318	—

(c) Balances with related parties

(i) Other receivables and prepayments

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
WuXi AppTec Group	—	73	—

The balances due from WuXi AppTec Group were non-trade, unsecured, non-interest bearing and had no fixed repayment term as at 31 December 2019.

(ii) Accruals and other payables

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Yiping James Li *(Note)*	1,000	—	—
WuXi AppTec Group	5,453	3,932	4,888
Juno	2,741	2,147	2,878
	9,194	6,079	7,766

Note: The Company received a personal government reward on behalf of Dr. Yiping James Li in 2018, and paid to Dr. Yiping James Li in January 2019.

The balances due to Dr. Yiping James Li were non-trade, unsecured, non-interest bearing and had no fixed repayment term as at 31 December 2018.

The balances due to WuXi AppTec Group and Juno were unsecured, trade in nature and non-interest bearing as at 31 December 2018, 2019 and 30 June 2020. These balances were due within 15 to 30 days.

Their fair values approximated their carrying amounts due to their short maturities.

34 Investment in subsidiaries — Company

	As at 31 December		As at 30 June
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Deemed investment arising from share-based compensation expenses *(Note 23)*	—	15,443	72,914
Deemed investment arising from business combination *(Note 32)*	—	—	680,007
	—	15,443	752,921

35 Subsequent events

Save as disclosed elsewhere in the report, there are no material subsequent events undertaken by the Group after 30 June 2020 except below:

On 21 August 2020, the Company underwent a subdivision of shares whereby each issued and unissued share of par value US$0.0001 each in our Company's authorized share capital shall be subdivided into 10 shares of US$0.00001 par value each, such that immediately following such share subdivision, our Company's authorized share capital shall be US$50,000 divided into (a) 4,838,998,090 Shares of par value US$0.00001 each; (b) 38,518,530 Series A1 Preferred Shares of par value US$0.00001 each; (c) 64,271,700 Series A2 Preferred Shares of par value US$0.00001 each; (d) 9,331,060 Series X Preferred Shares of par value US$0.00001 each and (e) 48,880,620 Series B Preferred Shares of par value US$0.00001 each.

Pursuant to a resolution dated 10 September 2020, the Company adopted a 2020 September Stock Option and a 2020 September RSU (together, "2020 September Plan"). The Company granted 3,529,840 stock options and 1,078,170 RSUs to certain directors, senior managements and employees of the Group, as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries. In addition, the Company granted 808,480 RSUs to 2 consultants, as reward of their services. There are two types of vesting schedules of 2020 September Plan: (i) with 30% will vest on the second anniversary of the vesting commencement date and the remaining 30% and 40% will vest on the third anniversary and fourth anniversary of the vesting commencement date, respectively; and (ii) with 25% will vest on the first anniversary of the vesting commencement date and the remaining 25%, 25% and 25% will vest on the second anniversary, third anniversary and fourth anniversary of the vesting commencement date, respectively.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2020 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2020.