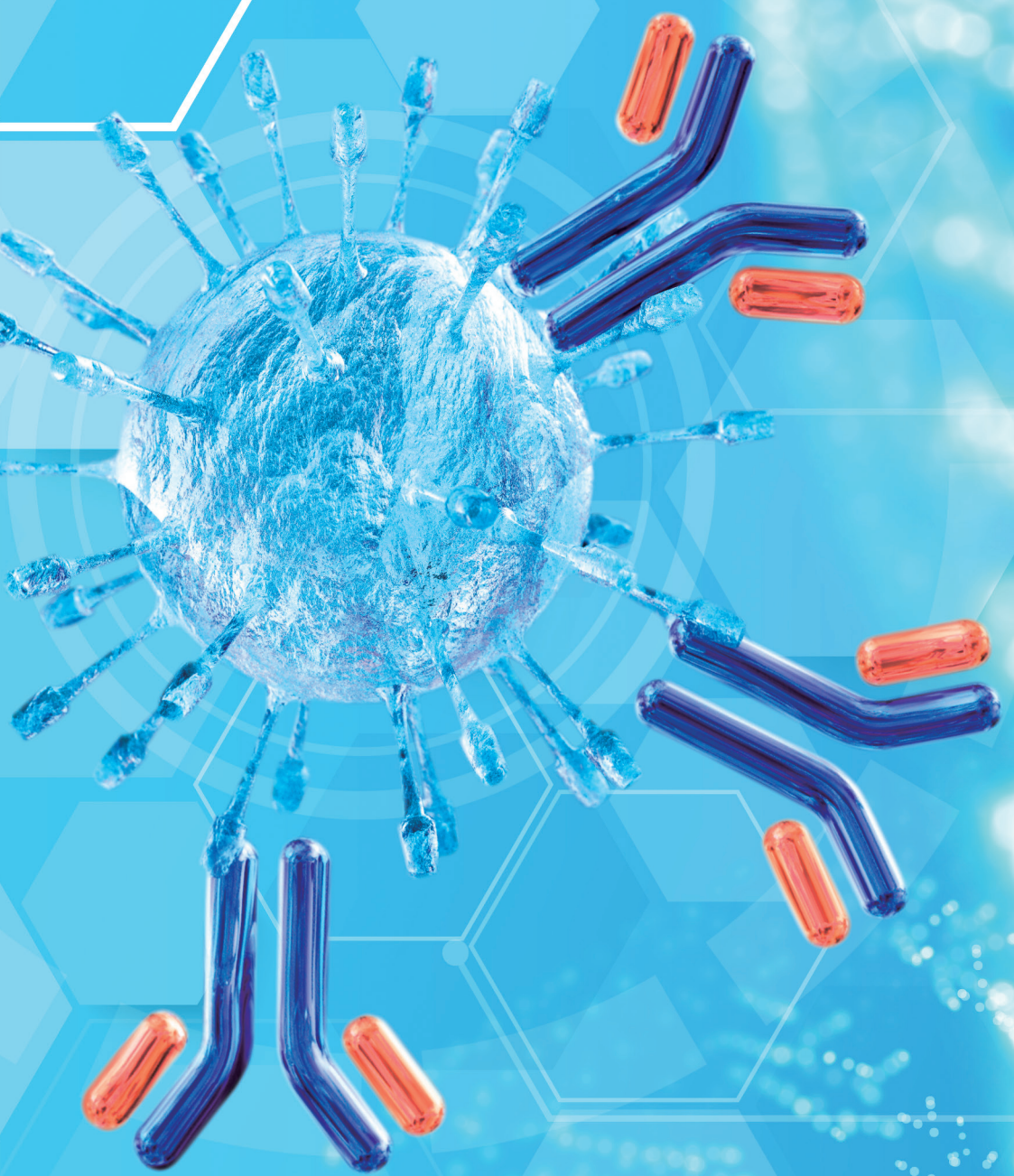
君实生物
TopAlliance

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

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

Stock code: 1877

2022 Annual Report



* For identification purpose only

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Xiong Jun *(Chairman and Legal Representative)*
Dr. Li Ning *(Chief Executive Officer and General Manager)*
Mr. Li Cong *(Co-Chief Executive Officer)*
Dr. Feng Hui
Mr. Zhang Zhuobing
Dr. Yao Sheng
Dr. Zou Jianjun[1]

NON-EXECUTIVE DIRECTORS

Dr. Wu Hai
Mr. Tang Yi
Mr. Lin Lijun[2]

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Chen Lieping[3]
Mr. Qian Zhi
Mr. Zhang Chun
Dr. Roy Steven Herbst
Dr. Feng Xiaoyuan

SUPERVISORS

Mr. Wu Yu *(Chairman of the Board of Supervisors)*
Ms. Wang Pingping
Ms. Huo Yilian

AUDIT COMMITTEE

Mr. Zhang Chun *(Chairman)*
Mr. Tang Yi
Mr. Qian Zhi

NOMINATION COMMITTEE

Dr. Feng Xiaoyuan *(Chairman)*
Mr. Xiong Jun
Mr. Qian Zhi

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Zhang Chun *(Chairman)*
Mr. Xiong Jun
Dr. Li Ning
Mr. Qian Zhi
Dr. Feng Xiaoyuan

STRATEGIC COMMITTEE

Mr. Xiong Jun *(Chairman)*
Dr. Li Ning
Dr. Chen Lieping[3]
Mr. Zhang Chun
Dr. Roy Steven Herbst

JOINT COMPANY SECRETARIES

Ms. Chen Yingge
Ms. Lai Siu Kuen

AUTHORIZED REPRESENTATIVES

Ms. Chen Yingge
Ms. Lai Siu Kuen

CORPORATE INFORMATION

REGISTERED ADDRESS, HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 1003, Level 10, Building 2, Nos. 36 and 58, Hai Qu Road, China (Shanghai) Pilot Free Trade Zone, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG UNDER PART 16 OF THE COMPANIES ORDINANCE

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

LEGAL ADVISERS

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

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LISTING

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

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

985,689,871 Shares
(including 219,295,700 H Shares and 766,394,171 A Shares)

BOARD LOT OF H SHARES

200 H Shares

COMPANY'S WEBSITE

www.junshipharma.com

INVESTOR RELATIONS

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

1 Appointed with effect from 29 June 2022
2 Resigned with effect from 8 December 2022
3 Tendered resignation which is to take effect upon the appointment of a new Independent Non-executive Director

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- As at 31 December 2022, total revenue of the Group was approximately RMB1,453 million for the Reporting Period, representing a decrease of approximately 64% compared to the corresponding period in 2021, which was mainly due to the decrease of income related to out-licensing from overseas. The sales revenue of TUOYI® (toripalimab) was approximately RMB736 million, representing an increase of approximately 79% compared to the corresponding period in 2021. With the increase in commercialization capability and approval and launch of two additional large indications for TUOYI® during the Reporting Period, the sales of the Group in the domestic market are gradually entering into a positive cycle.

- Total R&D expenses were approximately RMB2,384 million for the Reporting Period, representing an increase of approximately 15% compared to the corresponding period in 2021. The increase in R&D expenses was mainly due to (i) the Group continuously increasing its investment in R&D and enriching its product pipelines; (ii) the acceleration in the progress of current clinical projects and development of reserved R&D projects; and (iii) reserve of the R&D team.

- Net cash from financing activities was approximately RMB4,643 million for the Reporting Period, which was mainly attributable to the successful issuance of the Company's new A shares on the STAR Market of the Shanghai Stock Exchange on 2 December 2022 with net cash inflow from the issuance of RMB3,748 million and new bank borrowings with net cash inflow of RMB840 million. The net cash inflows from financing activities fully covered the cash used in operating and investing activities for the Reporting Period, leading to the increase of RMB2,492 million in bank balances and cash.

- Loss attributable to owners of the Company was RMB2,386 million for the Reporting Period, representing an increase of RMB1,667 million compared to the corresponding period in 2021, which was mainly attributable to the decline of revenue from out-licensing.

HIGHLIGHTS

BUSINESS HIGHLIGHTS

As of the end of the Reporting Period, focusing on the "unmet clinical needs", we have made original, innovative and breakthrough progress in discovery, R&D, production and commercialization of innovative therapies and innovative drugs, which have filled various gaps domestically and are leading in related fields globally. The following achievements and milestones were attained:

- Our innovative R&D field has expanded from monoclonal antibodies to the development of various drug modalities, including small molecules drugs, polypeptide drugs, antibody drug conjugates (ADCs), bi-specific or multi-specific antibodies and nucleic acid drugs, as well as the exploration of next-generation innovative therapies including cancer and autoimmune diseases. Our product pipelines cover five major therapeutic areas including malignant tumors, autoimmune diseases, chronic metabolic diseases, neurologic diseases and infectious diseases. As of the date of this report, a total of four drugs (TUOYI®, JUNMAIKANG®, MINDEWEI (民得維®) and etesevimab) are being commercialized in the China or abroad, around 30 assets are undergoing clinical trials (amongst which, ongericimab, bevacizumab and PARP inhibitor are undergoing Phase III clinical trials) and over 20 drug candidates are at pre-clinical drug development stage.

  - In February 2022, the dosing of the first patient was completed in the Phase III clinical trial of TUOYI® in combination with standard chemotherapy as the adjuvant treatment after radical resection of gastric or esophagogastric junction adenocarcinoma (JUPITER-15 study, NCT05180734).

  - In February 2022, the IND application for JS112 (Aurora A inhibitor) was approved by the NMPA.

  - In March 2022, the marketing of JUNMAIKANG® (adalimumab) for the treatment of rheumatoid arthritis, ankylosing spondylitis and psoriasis was approved by the NMPA.

  – In March 2022, the results of three Phase I clinical studies of MINDEWEI were published in *Acta Pharmacologica Sinica*, a renowned journal in the pharmaceutical field, which showed that MINDEWEI exhibited satisfactory safety and tolerability in healthy subjects, was rapidly absorbed orally, and could be administered orally under fasting or normal diet conditions.

  - In March 2022, the IND application for JS107 (recombinant humanized anti – Claudin18.2 monoclonal antibody-MMAE conjugate) was approved by the NMPA.

  - In March 2022, the IND application for JS001sc (a toripalimab subcutaneous injection formulation) was approved by the NMPA.

  - In April 2022, the IND application of TAB009/JS009 (recombinant humanized anti – CD112R monoclonal antibody injection) for the treatment of advanced solid tumors was approved by the FDA.

  - In April 2022, the results of the pre-clinical in vivo efficacy study of MINDEWEI as a potent inhibitor of respiratory syncytial virus were published online in *Signal Transduction and Targeted Therapy* (STTT, IF: 38.104), a journal under *Nature*.

HIGHLIGHTS

- In April 2022, TUOYI® was granted orphan-drug designation by the FDA for the treatment of SCLC, which was the fifth FDA orphan-drug designation obtained by TUOYI®. Previously, TUOYI® was granted orphan-drug designations by the FDA for the treatment of mucosal melanoma, NPC, soft tissue sarcoma and esophageal cancer, respectively.

- In May 2022, the IND application for JS105 (PI3K-α inhibitor) jointly developed by us and Risen Biosciences was approved by the NMPA.

- In May 2022, a Phase III registration clinical study (NCT05341609) of MINDEWEI versus nirmatrelvir tablet/ritonavir tablet (namely PAXLOVID) for the early treatment of mild to moderate COVID-19 met its pre – specified primary endpoints and secondary efficacy endpoints. The MINDEWEI group achieved a shorter median time to sustained clinical recovery and attained statistical superiority, providing strong evidence that such therapy could accelerate the remission of COVID-19 symptoms. The relevant research results were published online in a global authoritative journal *The New England Journal of Medicine (NEJM*, IF: 176.082).

- In May 2022, the sNDA for TUOYI® in combination with paclitaxel and cisplatin for the first-line treatment of patients with unresectable locally advanced/recurrent or distant metastatic ESCC was approved by the NMPA.

- In June 2022, the IND application for JS116 (small molecule irreversible covalent inhibitor of $KRAS^{G12C}$) was approved by the NMPA.

- In June 2022, the IND application for JS113 (fourth-generation EGFR inhibitor) was approved by the NMPA.

- In July 2022, the IND application for JS105 (PI3K-α inhibitor) with fulvestrant for the treatment of postmenopausal female patients and male patients, with hormone receptor (HR)-positive, human epidermal growth factor receptor 2 (HER-2)-negative, PIK3CA-mutated, advanced or metastatic breast cancer was approved by the FDA.

- In July 2022, the IND application for JS203 (recombinant humanized anti-CD20 and CD3 bispecific antibody) was approved by the NMPA.

- In August 2022, the IND application for JS110 (XPO1 inhibitor) was approved by the FDA.

- In August 2022, the IND application for TAB009/JS009 (recombinant humanized anti-CD112R monoclonal antibody injection) was approved by the NMPA.

- In September 2022, the sNDA for TUOYI® in combination with pemetrexed and platinum as the first-line treatment of EGFR mutation-negative and ALK mutation-negative, unresectable, locally advanced or metastatic NSCLC was approved by the NMPA, which was also the sixth indication of TUOYI® approved by the NMPA.

HIGHLIGHTS

- In October 2022, the IND application for JS015 (recombinant humanized anti-DKK1 monoclonal antibody injection) was approved by the NMPA.

- In November 2022, the supplemental application for additional indications of JUNMAIKANG® (adalimumab) for the treatment of Crohn's disease, uveitis, polyarticular juvenile idiopathic arthritis, pediatric plaque psoriasis and pediatric Crohn's disease was approved by the NMPA.

- In December 2022, the MAA for toripalimab in combination with cisplatin and gemcitabine for the first-line treatment of patients with locally recurrent or metastatic NPC, and toripalimab in combination with paclitaxel and cisplatin for the first-line treatment of patients with unresectable locally advanced/recurrent or metastatic ESCC was accepted by the EMA.

• External collaborations

- In January 2022, based on the Exclusive License and Commercialization Agreement that we entered into with Coherus in February 2021, Coherus initiated the procedure for exercising the option of the recombinant humanized anti-TIGIT monoclonal antibody (TAB006/JS006), one of the option programs, in order to be licensed to develop TAB006/JS006 or any product containing TAB006/JS006 in the Coherus Territory for the treatment or prevention of human diseases. Coherus made an one-off exercise payment of US$35 million to us, and will pay up to an aggregate of US$255 million upon reaching the corresponding milestones, plus 18% royalty on the annual net sales of any product that contains TAB006/JS006 in the Coherus Territory.

- In March 2022, we entered into the licensing and cooperation agreement (the "**Licensing and Cooperation Agreement**") with Wigen Biomedicine to obtain the licenses of four small molecule anti-tumor drugs, namely JS120 (second-generation irreversible IDH1 inhibitor), JS121 (SHP2 inhibitor), JS122 (second-generation irreversible FGFR2 selective inhibitor) and JS123 (ATR inhibitor), thus further enriching our pipeline layout in the field of cancer treatment.

- In June 2022, we entered into cooperation with Sun Yat-sen University Cancer Center (Sun Yat-sen University Affiliated Cancer Hospital* (中山大學附屬腫瘤醫院) and Sun Yat-sen University Cancer Institute* (中山大學腫瘤研究所)), and we obtained three patent applications including the "Application of a Bacterium in Preparation of a Synergist of an Immune Checkpoint Inhibitor", and their related technologies and rights by way of exclusive license.

- In December 2022, we entered into an exclusive license and commercialization agreement with Hikma. We granted Hikma an exclusive license to develop and commercialize toripalimab injection in all 20 Middle East and North Africa ("**MENA**") markets including Jordan, Kingdom of Saudi Arabia, United Arab Emirates, Qatar, Morocco and Egypt (the "**Hikma Territory**"). We may receive payments of up to an aggregate of US$12 million, together with high-teen tiered royalties of up to 20% of the net sales. In addition, we will grant the right of first negotiation to Hikma for the future commercial rights of three drugs in development phase in one or more countries in the Hikma Territory.

HIGHLIGHTS

- Commercial operations

  – In May 2022, the NMPA approved for Lingang Production Base of Junshi Biotechnology, our wholly-owned subsidiary, to be responsible for the production of commercial batches of TUOYI® in parallel with the Company's Wujiang production base in Suzhou. The Shanghai Lingang Production Base was constructed in accordance with the CGMP standard, currently with a production capacity reaching 42,000L subsequent to an addition of 12,000L of production capacity during the Reporting Period. By virtue of economies of scale, the expansion of production capacity brought about by the Shanghai Lingang Production Base will enable the Company to gain the advantage of having more competitive production costs.

  – In December 2022, we completed the issuance of 70 million new A to 17 target subscribers at an issue price of RMB53.95 per Share. The gross proceeds amounted to RMB3,776.50 million, which will used for R&D projects of innovative drugs, Shanghai Junshi Biotech headquarters and R&D base project.

From the end of the Reporting Period to the date of this report, we have also made significant progress in R&D and commercialization of several products, including:

– In January 2023, the marketing of MINDEWEI, an oral nucleoside analog anti – SARS-CoV-2 Category 1 innovative drug, which was applied Vinnerna Biosciences, a subsidiary controlled by the Company, for the treatment of adult patients with mild to moderate COVID-19 was conditionally approved by the NMPA.

– In January 2023, the IND application for JS401 (a siRNA drug targeting ANGPTL3 mRNA) jointly developed by us and Risen Shanghai) was accepted by the NMPA.

– In January 2023, a randomized, double-blind, placebo-controlled, multi-center phase III clinical study (Neotorch study, NCT04158440) of TUOYI® in combination with platinum-containing doublet chemotherapy as perioperative treatment for operable NSCLC patients finished the pre-specified interim analysis. IDMC had determined that the primary endpoint of event-free survival ("**EFS**") had met the pre-defined efficacy boundary.

– In February 2023, a randomized, double-blind, placebo-controlled, multi-center phase III clinical study (TORCHLIGHT study, NCT04085276) of TUOYI® in combination with paclitaxel for injection (albumin-bound) in patients with initial diagnosis of stage IV or recurrent metastatic triple-negative breast cancer finished the pre-specified interim analysis. The IDMC had determined that the primary endpoint had met the pre-defined efficacy boundary.

– In February 2023, two randomized, double-blind, placebo-controlled, multi-center phase III clinical studies (study nos.: JS002-003 and JS002-006) of ongericimab (a recombinant humanized anti-PCSK9 monoclonal antibody, code: JS002) for the treatment of primary hypercholesterolemia and mixed hyperlipidemia have met the primary endpoints.

HIGHLIGHTS

- In February 2023, the MAA for toripalimab combined with cisplatin and gemcitabine for the first-line treatment of patients with locally recurrent or metastatic NPC, toripalimab combined with paclitaxel and cisplatin for the first-line treatment of patients with unresectable locally advanced/recurrent or metastatic ESCC was accepted by the United Kingdom's MHRA.

- In March 2023, the IND application for JS010 (recombinant humanized anti-CGRP monoclonal antibody injection) was approved by the NMPA.

- In March 2023, the Company entered into a shareholders agreement (the "**Shareholders Agreement**") with Rxilient Biotech and its wholly-owned subsidiary, Excellmab. The Company will subscribe for the newly issued shares of Excellmab by payment in kind to obtain 40% equity interest in Excellmab. Subject to the fulfillment of the conditions precedent as agreed under the Shareholders Agreement, the Company will substantially perform its capital contribution obligations, and intends to enter into a license agreement (the "**License Agreement**") with Excellmab in the form as agreed upon by the parties at the time of entering into the Shareholders Agreement, thereby granting Excellmab an exclusive license and other relevant rights to develop and commercialize intravenous toripalimab in Thailand, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines and Vietnam. According to the progress of the R&D of toripalimab and other matters, the Company may receive a milestone payment of up to approximately US$4.52 million, plus a percentage of royalty on the net sales.

HIGHLIGHTS

IFRS

	For the year ended 31 December				
	2018	2019	2020	2021	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Operating results					
Revenue	934	775,089	1,594,897	4,024,841	**1,453,493**
Gross Profit	667	684,405	1,222,366	2,766,654	**927,211**
Loss for the year from continuing operations	(716,500)	(744,233)	(1,665,639)	(728,181)	**(2,582,095)**
Total comprehensive expense for the year	(714,593)	(741,055)	(1,687,567)	(718,579)	**(2,650,714)**
Total comprehensive expense for the year attributable to:					
Owners of the Company	(714,654)	(740,744)	(1,687,567)	(708,955)	**(2,454,686)**
Non-controlling interests	61	(311)	–	(9,624)	**(196,028)**
Loss per share					
From continuing and discontinued operations					
– Basic (RMB yuan)	(1.19)	(0.95)	(2.02)	(0.80)	**(2.60)**
– Diluted (RMB yuan)	(1.19)	(0.95)	(2.02)	(0.80)	**(2.60)**

	At 31 December				
	2018	2019	2020	2021	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Financial position					
Non-current assets	1,347,126	2,511,324	3,312,147	5,218,981	**5,371,381**
Current assets	2,910,184	1,911,116	4,698,717	5,831,739	**7,204,905**
Total assets	4,257,310	4,422,440	8,010,864	11,050,720	**12,576,286**
Non-current liabilities	465,112	828,548	677,022	701,903	**1,007,782**
Current liabilities	471,065	605,376	1,492,582	2,016,635	**1,774,254**
Total liabilities	936,177	1,433,924	2,169,604	2,718,538	**2,782,036**
Net assets	3,321,133	2,988,516	5,841,260	8,332,182	**9,794,250**

HIGHLIGHTS

PRC GAAP

	For the year ended 31 December				
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results*					
Revenue	2,928	775,089	1,594,897	4,024,841	**1,453,493**
Gross Profit	(1,269)	677,105	1,214,645	2,773,235	**938,772**
Loss for the year	(722,854)	(747,729)	(1,668,607)	(730,534)	**(2,584,077)**
Total comprehensive expense for the year	(721,582)	(744,550)	(1,690,536)	(720,932)	**(2,652,695)**
Loss per share					
From continuing and discontinued operations					
– Basic (RMB yuan)	(1.21)	(0.96)	(2.03)	(0.81)	**(2.60)**
– Diluted (RMB yuan)	N/A	N/A	(2.03)	(0.81)	**(2.60)**

	At 31 December				
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial position					
Non-current assets	1,340,137	2,500,838	3,298,693	5,190,020	**5,342,012**
Current assets	2,910,184	1,911,116	4,698,717	5,844,891	**7,216,484**
Total assets	4,250,321	4,411,954	7,997,410	11,034,911	**12,558,496**
Non-current liabilities	465,111	855,700	697,140	717,084	**1,015,725**
Current liabilities	471,067	578,225	1,472,464	2,001,453	**1,766,311**
Total liabilities	936,178	1,433,925	2,169,604	2,718,537	**2,782,036**
Net assets	3,314,143	2,978,029	5,827,806	8,316,374	**9,776,460**

Operating results* include non-continuous operation results.

CHAIRMAN'S STATEMENT

Dear investors who have been following and accompanying the growth of Junshi,

2022 marked the 10th anniversary of the establishment of Junshi Biosciences. Setting out with a dream to "make Chinese people's own new antibody drug", Junshi Biosciences witnessed and deeply engaged in the rapid development of China's biopharmaceutical industry over the past decade, and was committed to fulfilling the unmet clinical needs of patients with multiple "firsts" in the domestic and international fields relating to R&D of drugs. After ten years of challenges and continuous exploration, Junshi Biosciences has now become a biopharmaceutical company with global competitiveness, integrating R&D, production and commercialization.

Faced with public health crisis, Junshi Biosciences has actively assumed the social responsibility of a pharmaceutical company, and collaborated with partners to rapidly develop MINDEWEI, a new oral antiviral drug. In January 2023, MINDEWEI was conditionally approved for marketing in China by authorities, becoming the second commercialized COVID-19 drug of the Company after etesevimab.

In terms of R&D of innovative drugs, we have established product pipelines covering five major therapeutic areas, with more than 50 drug candidates. During the Reporting Period, two new indications of our core product TUOYI® (anti-PD-1 monoclonal antibody) was approved for marketing, eight indications of JUNMAIKANG®, our third commercialized product, was approved for marketing. Ongericimab (anti-PCSK9 monoclonal antibody), senaparib (PARP inhibitor), and bevacizumab (anti-VEGF monoclonal antibody) were under Phase III clinical trials, and the data of tifcemalimab (anti-BTLA monoclonal antibody), a "first-in-class" anti-tumor drug, was first released at the 2022 ASCO annual meeting. The R&D projects of, among others, nucleic acid drugs, ADCs, bi-specific and multi-specific antibodies, accelerated, and the clinical research results of various drug candidates had been published in well-known journals at home and abroad.

With respect to commercialization and internationalization, the sales revenue of our core product TUOYI® in the domestic market has seen a year-on-year increase of 78.77%, which shows that the sales of TUOYI® in the domestic market have gradually entered into a positive cycle. Meanwhile, we continue to promote the layout of overseas markets. We have submitted the marketing applications for toripalimab in the United States, the European Union and the United Kingdom respectively, all of which have been accepted by the local drug regulatory authorities. In emerging markets, we have granted Hikma an exclusive license to develop and commercialize toripalimab injection in all 20 MENA markets including Jordan, Kingdom of Saudi Arabia, United Arab Emirates, Qatar, Morocco and Egypt. We have also established a joint venture company with Rxilient Biotech in Southeast Asia to develop and commercialize intravenous toripalimab in Thailand, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines and Vietnam, further expediting the promotion of our product in the Southeast Asian market and continuously expanding our international business network. In addition, we have cooperated with our partner Coherus in North America for a second product. In February 2022, Coherus announced the initiation of the procedure for exercising the option of recombinant humanized anti-TIGIT monoclonal antibody (TAB006/JS006), in order to be licensed to develop this product in the Coherus Territory for the treatment or prevention of human disease. We will continue to maintain good cooperative relations with domestic and overseas partners, and efficiently realize the international layout while combining win-win cooperation with self-development.

CHAIRMAN'S STATEMENT

In respect of production capacity, in May 2022, the NMPA granted approval for the Shanghai Lingang Production Base to be responsible for the production of commercial batches of TUOYI® in parallel with the Company's Wujiang production base in Suzhou. The Shanghai Lingang Production Base was constructed in accordance with the CGMP standard, currently with a production capacity reaching 42,000L subsequent to an addition of 12,000L of production capacity during the Reporting Period. The online part of the FDA's on-site inspection of the production base has been successfully completed for Wujiang production base in Suzhou. We and Coherus will remain in close communication with the regulatory authority to advance the on-site inspection once possible with an aim to promote the commercialization of toripalimab in the United States as soon as possible.

In order to improve our risk resistance, optimize our shareholder structure, enhance our level of R&D and independent innovation, and promote our sustainable and stable development, in December 2022, we completed the issuance of 70 million new A shares to 17 target subscribers. The gross proceeds amounted to RMB3,776.50 million, which will be used for R&D projects of innovative drugs, Shanghai Junshi Biotech headquarters and R&D base project. Through the implementation of the projects, the Company will further accelerate the R&D process of our drug candidates, and further strengthen our principal operations.

At the beginning of its second decade, Junshi Biosciences is facing enormous opportunities and challenges. Looking forward, we will be keen to enhance our core competitiveness and innovation capabilities. We plan to continue to promote the application of cancer immunotherapy in the early treatment of cancer patients. In addition to the extensive layout for the first-line treatment of multiple tumor types, we have also actively deployed perioperative treatment/postoperative adjuvant treatment of TUOYI® for lung cancer, liver cancer, gastric cancer, esophageal cancer and other indications. Moreover, the Company will also accelerate the clinical development of in-depth and diversified pipelines at home and abroad, and establish a comprehensive R&D platform through expanding and strengthening the Company's R&D capabilities in new drugs such as nucleic acid drugs, antibody drug conjugates (ADCs), bi-specific and multi-specific antibody drugs, and realize the ultimate goal of "smart manufacturing in China with global layout in both domestic and overseas markets" while seizing on the opportunity of next-generation therapy.

Finally, I sincerely thank all patients, shareholders, and employees for their support and trust in Junshi Biosciences over the past decade. I believe that with the support and joint efforts of all parties, Junshi Biosciences will embark on a more promising path, and its second decade will boost more vigor and vitality.

Xiong Jun
Chairman

30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

We are an innovation-driven biopharmaceutical company with all-round capabilities in innovative drug discovery and development, clinical research on a global scale, large-scale production capacity to commercialization on the full industry chain. Aiming to develop first-in-class or best-in-class drugs through ways of original innovation and co-development, we have successfully developed a drug candidate portfolio with tremendous market potential. Multiple products have milestone significance: one of our core products, toripalimab (JS001, trade name: 拓益® (TUOYI®)), was the first domestic anti-PD-1 monoclonal antibody approved to be marketed in China by the NMPA, with six indications approved in China, including for the treatment of locally advanced or metastatic melanoma after standard therapy failure, the treatment for recurrent/metastatic NPC after failure of second-line and later systemic treatment, the treatment of patients with locally advanced or metastatic UC who failed platinum-containing chemotherapy or progressed within 12 months of neoadjuvant or adjuvant platinum-containing chemotherapy, in combination with cisplatin and gemcitabine as the first-line treatment for patients with locally recurrent or metastatic NPC, in combination with paclitaxel and cisplatin for the first-line treatment for patients with unresectable locally advanced/recurrent or distant metastatic ESCC, and in combination with pemetrexed and platinum as the first-line treatment of EGFR mutation – negative and ALK mutation-negative, unresectable, locally advanced or metastatic NSCLC, respectively; tifcemalimab, being independently developed by the Company, was the world's first – in-human anti-tumor anti-BTLA monoclonal antibody and has obtained IND approvals from the FDA and the NMPA and is currently undergoing several Phase Ib/II clinical trials in China and the United States.

In the face of the pandemic, we have actively assumed the social responsibilities of Chinese pharmaceutical companies and collaborated with partners in utilizing our accumulated technology to rapidly develop a variety of innovative drugs for the prevention/treatment of COVID-19 since the beginning of the outbreak in 2020. These drugs include: etesevimab (JS016), the coronavirus neutralizing antibody, and MINDEWEI, a new oral nucleoside analog anti-SARS-CoV-2 drug. We will continuously contribute to the global fight against the pandemic as a representative from China.

As we continue to expand our product pipeline and further explore drug combination therapies, our innovation field has continued to expand to cover R&D of more drug modalities, including small molecules, polypeptide drugs, antibody drug conjugates (ADCs), bi-specific or multi-specific antibodies and nucleic acid drugs, as well as the exploration of the next-generation innovative therapies including cancer and autoimmune diseases. From the beginning of the Reporting Period to the date of this report, we made various major achievements in the business operations, external cooperation, industry chain expansion, talent reserve as well as the development of drug candidates of the Company, which are summarized as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

The indications for first-line treatment of ESCC and NSCLC of TUOYI® were approved, with domestic sales entering a positive cycle

In May 2022, the sNDA for TUOYI® in combination with paclitaxel and cisplatin for the first-line treatment for patients with unresectable locally advanced/recurrent or distant metastatic ESCC was approved by the NMPA. In September 2022, the sNDA for TUOYI® in combination with pemetrexed and platinum as the first-line treatment of EGFR mutation-negative and ALK mutation – negative, unresectable, locally advanced or metastatic non-squamous NSCLC was approved by the NMPA, which was also the sixth indication of TUOYI® approved by the NMPA. With three indications being included in the NRDL, TUOYI® is the only anti-PD-1 monoclonal antibody used in the treatment of melanoma in the NRDL. As of the end of the Reporting Period, TUOYI® has been sold in more than 4,000 medical institutions and about 2,000 specialty pharmacies and community pharmacies nationwide. The indications of TUOYI® that have been included in the NRDL, including second-line treatment of melanoma, third-line treatment of NPC and second-line treatment of UC, were entitled to supplementary reimbursement in 137 regions and cities through the urban commercial insurance across the country. The three newly added indications of first-line treatment of ESCC, first-line treatment of NPC and first-line treatment of NSCLC were entitled to supplementary reimbursement of commercial insurance in 93, 104 and 93 cities, respectively. Furthermore, TUOYI® has been successfully included in the special drug catalogues of commercial insurance in 33 regions and cities. The multi-level medical protection can comprehensively benefit more patients, while further reducing the burden of drugs on patients.

As of the end of the Reporting Period, the Company had a commercialization team with nearly 1,000 members, and the domestic sales revenue of TUOYI® reached approximately RMB736 million for the Reporting Period, representing a year-on-year increase of approximately 79%. By virtue of the improvement in commercialization capabilities and the approval of two new major indications for TUOYI® during the Reporting Period, the sales of TUOYI® in China have started to enter a positive cycle. With the acceleration in clinical research, more pivotal registered clinical studies on first-line treatment, perioperative treatment and postoperative adjuvant treatment of TUOYI® will gradually be completed, and more new indications will enter sNDA stage. We are fully confident about the commercialization of TUOYI® in 2023 and beyond.

MANAGEMENT DISCUSSION AND ANALYSIS

MINDEWEI and JUNMAIKANG® were approved for marketing, with acceleration in R&D of several products that are close to commercialization

On 28 January 2023, the marketing of MINDEWEI, an oral nucleoside analog anti-SARS-CoV-2 Category 1 innovative drug, for the treatment of adult patients with mild to moderate COVID-19 has been conditionally approved by the NMPA. MINDEWEI is a new oral nucleoside analog antiviral drug, which can be non-covalently bound to the active center of RdRp of SARS-CoV-2 in the form of nucleoside triphosphate, directly inhibiting the activity of RdRp of the virus and blocking the replication of virus, thus realizing the antiviral effect.

In March 2022, JUNMAIKANG® (adalimumab), which was jointly developed by us, Mabwell Bio and its subsidiaries for the treatment of rheumatoid arthritis, ankylosing spondylitis and psoriasis, received marketing approval from the NMPA, with the first prescription issued in May 2022. In November 2022, the supplemental application for additional indications of JUNMAIKANG® for the treatment of Crohn's disease, uveitis, polyarticular juvenile idiopathic arthritis, pediatric plaque psoriasis and pediatric Crohn's disease was approved by the NMPA. As our third commercialized product, JUNMAIKANG® has received support from the national "Major New Drug Development", a major scientific and technological project, during the "Twelfth Five-Year Plan", which would bring new treatment options for Chinese patients at large with autoimmune disease after its launch.

Ongericimab (JS002) is a recombinant humanized anti-PCSK9 monoclonal antibody independently developed by us for the treatment of primary hypercholesterolemia and mixed hyperlipidemia. In February 2023, both major pivotal registered clinical studies (study nos.: JS002-003 and JS002-006) of ongericimab had been successfully completed and had met the primary endpoints, of which JS002-003 study is to assess the efficacy and safety of subcutaneous injection of ongericimab for the treatment of patients with primary hypercholesterolemia and mixed hyperlipidemia, and JS002-006 study is to assess the efficacy and safety of subcutaneous injection by using two drug delivery systems (pre-filled syringes and pre-filled autosyringes) of ongericimab for the treatment of patients with primary hypercholesterolemia and mixed hyperlipidemia. Ongericimab showed obvious lipid-lowering efficacy in both studies, with good safety. In addition, we had completed Phase II clinical studies in patients with homozygous familial hypercholesterolemia. The enrollment of patients for Phase III clinical studies of heterozygous familial hypercholesterolemia had been completed. We plan to submit a NDA application for such product to the NMPA in 2023.

The patient enrollment of Phase III clinical study of PARP inhibitor senaparib (JS109), which was jointly developed by us and IMPACT Therapeutics, as the first-line maintenance treatment in platinum-sensitive advanced ovarian cancer patients has been completed, and is awaiting clinical data evaluation. In August 2022, the indication for the fixed – dose combination capsules of senaparib and temozolomide for the treatment of adult patients with SCLC was granted orphan-drug designation by the FDA. If the aforementioned Phase III clinical study of the product meets the pre-defined endpoints, we and IMPACT Therapeutics plan to submit a NDA application for such product to the NMPA in 2023.

In addition, a Phase III clinical study of bevacizumab (JS501) is currently underway.

MANAGEMENT DISCUSSION AND ANALYSIS

Data of "globally new" drug tifcemalimab was first released at the ASCO annual meeting, the indications of TUOYI® such as NSCLC perioperative treatment and triple-negative breast cancer continued to expand, and our world-class clinical development capabilities were used to promote drug innovation

In June 2022, the annual meeting of the American Society of Clinical Oncology (ASCO) was held online and physically in Chicago, the United States at which almost 40 results of multi – tumor studies in relation to the two tumor immunotherapy drugs independently developed by the Company, including the anti-PD-1 monoclonal antibody toripalimab and the anti-BTLA monoclonal antibody tifcemalimab, were released at the ASCO annual meeting. Toripalimab continued to demonstrate strong synergies as cornerstone drugs in diverse combination therapies, and the initial data of tifcemalimab in single-agent and dual-immunotherapy studies also gave us confidence in the development prospects of this "globally new" drug. At the annual meeting of the ASCO 2022, tifcemalimab debuted its early clinical results for single drug treatment of solid tumor and combination treatment of lymphoma through poster presentations (#230, #297). As a first-in – class drug, the initial data release of tifcemalimab was an important milestone event for BTLA – targeted drugs in the field of oncology.

In December 2022, at the annual meeting of the 64th American Society of Hematology (ASH), the preliminary data of Phase I clinical trial of tifcemalimab in patients with relapsed or refractory lymphoma was updated through a poster presentation (#1613). Among the 28 evaluable patients who received tifcemalimab in combination with toripalimab, although 85% of the patients progressed upon prior anti-PD-1, an ORR of 39.3% and a DCR of 85.7% were achieved.

Over 30 clinical studies covering more than 15 indications in respect of toripalimab have been conducted in China, the United States and other countries. Among all pivotal registered clinical studies of toripalimab currently in progress, in addition to the extensive layout for the first-line treatment of multiple tumor types, we have also actively deployed the perioperative treatment/postoperative adjuvant treatment for lung cancer, liver cancer, gastric cancer, esophageal cancer and other indications to promote the application of cancer immunotherapy in the early treatment of cancer patients.

In January 2023, a randomized, double-blind, placebo-controlled, multi-center phase III clinical study (Neotorch study, NCT04158440) of TUOYI® in combination with platinum-containing doublet chemotherapy as perioperative treatment for operable NSCLC patients finished the pre-specified interim analysis. The IDMC had determined that the primary endpoint of EFS had met the pre-defined efficacy boundary. Perioperative immunotherapy covering the whole process of pre-surgery and post-surgery is expected to be a better treatment model for patients.

In February 2023, a randomized, double-blind, placebo-controlled, multi-center phase III clinical study (TORCHLIGHT study, NCT04085276) of TUOYI® in combination with paclitaxel for injection (albumin-bound) in patients with initial diagnosis of stage IV or recurrent metastatic triple-negative breast cancer finished the pre-specified interim analysis. The IDMC has determined that the primary endpoint had met the pre-defined efficacy boundary. Based on the results of the interim analysis, compared with paclitaxel for injection (albumin-bound), TUOYI® in combination with paclitaxel for injection (albumin-bound) in patients with initial diagnosis of stage IV or recurrent metastatic triple-negative breast cancer can significantly prolong the PFS of patients with PD-L1-positive, and at the same time, the secondary endpoint of all comers and PD-L1-positive population, i.e. the OS, also showed a clear trend of improvement.

The Company is actively communicating with regulators on matters regarding the submission of application for the launch of the aforesaid two indications, and expects to submit sNDA for the above two indications to the NMPA in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Continued to explore cooperation of R&D and commercialization of drugs, while further expanding the international strategic layout

During the Reporting Period, we cooperated with outstanding domestic and foreign pharmaceutical companies and scientific research institutes in the R&D and commercialization of a number of products:

- In January 2022, based on the Exclusive License and Commercialization Agreement we entered into with Coherus in February 2021, Coherus initiated the procedure for exercising the option of the recombinant humanized anti-TIGIT monoclonal antibody (TAB006/JS006), one of the option programs, in order to be licensed to develop TAB006/JS006 or any product containing TAB006/JS006 in the Coherus Territory for the treatment or prevention of human diseases. Coherus made an one-off exercise payment of US$35 million to us, and will pay up to an aggregate of US$255 million upon reaching the corresponding milestones, plus 18% royalty on the annual net sales of any product that contains TAB006/JS006 in the Coherus Territory.

- In March 2022, we entered into the Licensing and Cooperation Agreement with Wigen Biomedicine to introduce four small molecule anti-tumor drugs, namely JS120 (second – generation irreversible IDH1 inhibitor), JS121 (SHP2 inhibitor), JS122 (second-generation irreversible FGFR2 selective inhibitor) and JS123 (ATR inhibitor), thus further enriching our pipeline layout in the cancer therapeutic area.

- In June 2022, we entered into cooperation with the Sun Yat-sen University Cancer Center, and obtained three patent applications including the "Application of a Bacterium in Preparation of a Synergist of an Immune Checkpoint Inhibitor", and their related technologies and rights by way of exclusive license. The technology was expected to significantly enhance the efficacy of an immune checkpoint inhibitor against multiple cancers and its safety, prolong the overall survival time of cancer patients, improve the response rate of cancer immunotherapy population, expand the population of cancer patients benefiting from cancer immunotherapy through protective anti-tumor immunity response stimulated by endogenous intestinal bacteria using human endogenous intestinal bacteria single-bacterium preparations combined with an immune checkpoint inhibitor, and produce synergistic effects with our other tumor immunotherapy products.

During the Reporting Period, the pace of toripalimab going global accelerated, and a number of cooperation and marketing applications have been commenced. The global commercialization layout of the Company began to expand to more regions. In the United States, we submitted the BLA for toripalimab in combination with gemcitabine and cisplatin for the first-line treatment of patients with advanced recurrent or metastatic NPC and toripalimab monotherapy for the second-line or later treatment of recurrent or metastatic NPC after platinum-containing chemotherapy to the FDA. As no immunotherapies have been approved for the treatment of NPC in the United States, the BLA for toripalimab in the treatment of NPC meets the "unmet clinical needs". We have successfully completed the FDA's online inspection of the production base. We and our partner Coherus will remain in close communication with the FDA to advance the on-site inspection once possible with an aim to promote the commercialization of toripalimab in the United States as soon as possible. In the European Union and the United Kingdom, we submitted the MAA for toripalimab for the first-line treatment of NPC and the first-line treatment of ESCC to the EMA and the MHRA respectively, both of which have been accepted.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition to our deployment in the North American and European markets, we also attach importance to the development of emerging markets.

In December 2022, we entered into the exclusive license and commercialization agreement with Hikma. Hikma is granted an exclusive license to develop and commercialize toripalimab injection in all 20 MENA markets including Jordan, Kingdom of Saudi Arabia, United Arab Emirates, Qatar, Morocco and Egypt. The Company may receive payments of up to an aggregate of US$12 million, together with high-teen tiered royalties of up to 20% of net sales. In addition, we will grant the right of first negotiation to Hikma for the future commercial rights of three drugs in development phase in one or more countries in the Hikma Territory. The cooperation is important for the continued expansion of our global business network and will accelerate the overseas market expansion of toripalimab and our other products, which will provide patients in MENA with high-quality treatment options.

In March 2023, we entered into the Shareholders Agreement with Rxilient Biotech and its wholly-owned subsidiary, Excellmab. We will subscribe for the newly issued shares of Excellmab by payment in kind to obtain 40% equity interest in Excellmab. Subject to the fulfillment of the conditions precedent as agreed under the Shareholders Agreement, we will substantially perform our capital contribution obligations, and intend to enter into the License Agreement with Excellmab in the form as agreed upon by the parties at the time of entering into the Shareholders Agreement, thereby granting Excellmab an exclusive license and other relevant rights to develop and commercialize intravenous toripalimab in Thailand, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines and Vietnam. According to the progress of the R&D of toripalimab and other matters, we may receive a milestone payment of up to approximately US$4.52 million, plus a percentage of royalty on the net sales. In addition, Excellmab will have the right of first negotiation for commercialization if we determine to grant any third party the relevant rights of the other four drug candidates as agreed in the License Agreement in one or more countries within the cooperation territory.

Significant increase in commercial production capacity

In terms of capacity expansion, in May 2022, the NMPA granted approval for the Shanghai Lingang Production Base to be responsible for the production of commercial batches of TUOYI® in parallel with the Company's Wujiang production base in Suzhou. The Shanghai Lingang Production Base was constructed in accordance with the CGMP standard, currently with a production capacity reaching 42,000L subsequent to an addition of 12,000L of production capacity during the Reporting Period. By virtue of economies of scale, the expansion of production capacity brought about by the Shanghai Lingang Production Base will enable the Company to gain the advantage of having more competitive production costs, support the supply of more drugs under clinical trials and accelerate the launch of new drugs, thus laying a solid foundation on drug production and supply for the continuous business expansion of the Company in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Increased cash reserves to improve risk resistance and corporate development capabilities, and continued to strengthen ESG management

In order to improve its risk resistance, optimize shareholder structure, enhance its level of R&D and independent innovation, and promote its sustainable and stable development, in December 2022, the Company completed the issuance of 70 million new A Shares to 17 target subscribers at an issue price of RMB53.95 per Share. The gross proceeds amounted to RMB3,776.50 million, which will used for R&D projects of innovative drugs, Shanghai Junshi Biotech headquarters and R&D base project. The investment in the R&D project of innovative drugs will provide necessary funding support for promoting the R&D progress of drug candidates and enriching their R&D pipeline. The construction of global headquarters and R&D base will help integrate the Company's preclinical research laboratories and clinical research teams that are relatively scattered in Shanghai, thereby providing far superior R&D environment and conditions for the R&D team to carry out drug discovery, development and clinical research and adapt to the trend of international development of the Company. Through the implementation of the projects, the Company will further accelerate the R&D process of our drug candidates, and further strengthen our principal operations. As of the end of the Reporting Period, the Group had cash and cash equivalents of approximately RMB5,997 million.

During the Reporting Period, the Board continued to strengthen the formulation and implementation of ESG strategies, listened to the feedback from internal and external consultants on ESG tasks, reviewed the progress of ESG goals, and put forward improvement suggestions for future ESG efforts. In August 2022, Hang Seng Indexes Company Limited announced the inclusion of the Company's A Shares as a constituent of the Hang Seng (China A) Corporate Sustainability Benchmark Index with effect from 5 September 2022. The index selects the top 10% companies in terms of ESG from eligible candidates, reflecting the Company's outstanding performance in the three ESG categories and showing that the Company's ESG practice is recognized by reputable index compilers.

Retained and expanded talent pool

As of the end of the Reporting Period, the Group's number of employees was 2,961, among which 995 employees are responsible for R&D of drugs, 989 employees are responsible for product commercialization, 561 employees are responsible for production, and the remaining employees are responsible for finance, administration, IT, human resources and other supporting work. We attach importance to the attraction and development of various outstanding talents. We further improve our compensation system by establishing salary ranks and bands, taking into account competitiveness, motivation and fairness. We have also implemented an optimized performance management system across the Group, using scientific management measures to achieve the implementation of corporate strategic objectives and the continuous growth of employees' capabilities, and distinguishing between employees with high and low performance in the process, rewarding outstanding employees and disciplining the under-performing employees, thus forming a virtuous circle for the continuous output of organizational performance. In addition, we are also gradually improving promotion channels and policies within the enterprise to open up career development paths for high-performing and high-potential employees. At the same time, we also care about the working environment of our employees and continue to provide them with numerous employee benefits, including holiday care and a variety of employee activities throughout the year to enrich their work experience. We believe that our comprehensive and excellent talent team can provide inexhaustible impetus to support the Company in continuously advancing numerous innovative drugs from R&D to commercialization.

R&D Progress of Toripalimab

Therapeutic Area	Medicine Code	Clinical Trial Number	Indications	Pre Clinical / Phase I / Phase II / Phase III / NDA	Locations of Clinical Trial	Note
Oncology	JS001 Toripalimab	NCT03013101	Melanoma (second-line treatment, monotherapy)	NMPA approved on 17 December 2018	China	
		NCT02915432	Nasopharyngeal carcinoma (third-line treatment, monotherapy)	NMPA approved in February 2021, marketing application accepted by the FDA	China	FDA BTD, ODD, PR
		NCT03113266	Urothelial carcinoma (second-line treatment, monotherapy)	NMPA approved in April 2021	China	
		NCT03581786	Nasopharyngeal carcinoma (first-line treatment, combo with chemo)	NMPA approved in November 2021, marketing application accepted by the FDA, the EMA, the MHRA	International multi-center	FDA BTD, ODD, PR
		NCT03829969	Esophageal squamous cell carcinoma (first-line treatment, combo with chemo)	NMPA approved in May 2022, marketing application accepted by the EMA, the MHRA	China	FDA ODD
		NCT03856411	EGFR negative non-small cell lung cancer (first-line treatment, combo with chemo)	NMPA approved in September 2022	China	
		NCT04772287	Non-small cell lung cancer (perioperative treatment)	Pivotal registered clinical trial	China	
		NCT04085276	Triple negative breast cancer (combo with albumin-bound paclitaxel)	Pivotal registered clinical trial	China	
		NCT03924050	EGFR mutated TKI failed terminal stage non-small cell lung cancer (combo with chemo)	Pivotal registered clinical trial	China	
		NCT04012606	Small cell lung cancer (first-line treatment, combo with chemo)	Pivotal registered clinical trial	China	FDA ODD
		NCT04848753	Esophageal squamous cell carcinoma (perioperative treatment)	Pivotal registered clinical trial	China	
		NCT03430297	Melanoma (first-line treatment, monotherapy)	Pivotal registered clinical trial	China	
		NCT04523493	Hepatocellular carcinoma (first-line treatment, combo with lenvatinib)	Pivotal registered clinical trial	International multi-center	
		NCT04723004	Hepatocellular carcinoma (first-line treatment, combo with bevacizumab)	Pivotal registered clinical trial	International multi-center	
		NCT03859128	Hepatocellular carcinoma (postoperative adjuvant treatment)	Pivotal registered clinical trial	China	
		NCT05342194	Intrahepatic cholangiocarcinoma (first-line treatment, combo with lenvatinib and chemo)	Pivotal registered clinical trial	China	
		NCT04394975	Renal cell carcinoma (first-line treatment, combo with axitinib)	Pivotal registered clinical trial	China	
		NCT05302284	Urothelial carcinoma (first-line treatment, combo with disitamab vedotin)	Pivotal registered clinical trial	China	
		NCT05180734	Adenocarcinoma of the stomach or gastroesophageal junction (postoperative adjuvant treatment)	Pivotal registered clinical trial	International multi-center	
		/	Mucosal melanoma (combo with axitinib)		United States	FDA FTD, ODD; NMPA BTD
		NCT03474640	Sarcoma		United States	FDA ODD

R&D Pipelines Covering Various Therapeutic Areas (As of 30 March 2023)

君实生物 TopAlliance

Pre Clinical		Phase I		Phase II	Phase III	Approved
JS011 Undisclosed	**JS013** CD93	**JS006** TIGIT	**JS007** CTLA-4	**Tifcemalimab** BTLA	**Senaparib** PARP	**Toripalimab** PD-1
JS018 IL-2	**JS104** Pan-CDK	**JS009** CD112R	**JS014** IL-21	**JS005** IL-17A	**Bevacizumab** VEGF	**Adalimumab** TNF-α
JS114 Nectin4 ADC	**JS115** BCMA ADC	**JS015** DKK1	**JS105** PI3K-α		**Ongericimab** PCSK9	**Deuremidevir Hydrobromide Tablets** RdRp
JS120 IDH1	**JS121** SHP2	**JS107** Claudin18.2 ADC	**JS111** EGFR exon 20			**Etesevimab*** S protein
JS122 FGFR2	**JS123** ATR	**JS112** Aurora A	**JS113** EGFR 4th Gen			
JS205 EGFR×cMet	**JS206** IL-2×PD-1	**JS001sc** PD-1	**JS110** XPO1			
JS207 PD-1×VEGF	**JS208** Undisclosed	**JS203** CD3×CD20	**JS019** CD39			
JS209 CD112R×TIGIT	**JS211** PD-L1×Undisclosed	**JS003** PD-L1	**JS012** Claudin 18.2			
JS401 ANGPTL3	**VV993** 3CL protease	**JS101** Pan-CDK	**JS108** Trop2 ADC			
JS008 Undisclosed	**JT109** Vaccine for Zika virus	**JS116** KRAS	**JS201** PD-1×TGF-ß			
		JS010 CGRP	**JS103** Uricase			
		UBP1213sc BLyS	**JS026** S protein			

Oncology
Metabolism
Immunology
Neurologic
Infectious disease

* Received Emergency Use Authorization from FDA

Clinical Trials Approved by the FDA, the EMA, the MHRA

Therapeutic Areas	Name of Drug	Target	Indications	Pre Clinical	Phase I	Phase II	Phase III	NDA	Overseas Interests Partner
Oncology	Toripalimab (JS001)	PD-1	NPC, liver cancer, intrahepatic cholangiocarcinoma, esophageal cancer, head and neck squamous cell carcinoma, gastric cancer, etc.	Marketing application accepted by the FDA, the EMA, the MHRA					Coherus (United States and Canada) Hikma (20 countries in the Middle East and North Africa region) Rxilient (9 countries in Southeast Asia)
	Tifcemalimab (TAB004/JS004)	BTLA	Lung cancer, melanoma, lymphoma etc.						
	JS006 (TAB006)	TIGIT	Tumors						Coherus (United States and Canada)
	JS009 (TAB009)	CD112R/ PVRIG	Tumors						
	JS105	PI3K-α	Breast cancer, renal cell carcinoma						
	JS110	XPO1	Multiple myeloma etc.						
Anti-infection	Etesevimab (JS016)	S protein	COVID-19	EUA has been obtained in more than 15 countries and regions worldwide					Eli Lilly and Company (Except for the Greater China region)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our Core Products

TUOYI® (toripalimab) (code: TAB001/JS001)

- *Milestones and achievements of commercialization*

Our self-developed TUOYI® (toripalimab) is the first domestic anti-PD-1 monoclonal antibody successfully launched in China, addressing various malignant tumors. It was granted the "China Patent Gold Award", the highest award in the patent field nationally, and has been supported by two National Major Science and Technology Projects for "Major New Drugs Development" during the "Twelfth Five-Year Plan" and "Thirteenth Five-Year Plan" periods. As of the date of this report, six indications for TUOYI® have been approved in China: treatment for unresectable or metastatic melanoma after failure of standard systemic therapy (December 2018); treatment for recurrent/metastatic NPC after failure of at least two lines of prior systemic therapy (February 2021); treatment for locally advanced or metastatic UC that failed platinum-containing chemotherapy or progressed within 12 months of neoadjuvant or adjuvant platinum-containing chemotherapy (April 2021); first-line treatment in combination with cisplatin and gemcitabine for patients with locally recurrent or metastatic NPC (November 2021); first-line treatment in combination with paclitaxel and cisplatin for patients with unresectable locally advanced/recurrent or distant metastatic ESCC (May 2022); first-line treatment in combination with pemetrexed and platinum for patients with EGFR mutation-negative and ALK mutation-negative, unresectable, locally advanced or metastatic non-squamous NSCLC (September 2022). In addition, TUOYI® has been recommended by the Guidelines of the Chinese Society of Clinical Oncology ("**CSCO**") for the Diagnosis and Treatment of Melanoma* (《中國臨床腫瘤學會黑色素瘤診療指南》), Guidelines of CSCO for the Diagnosis and Treatment of Head and Neck Tumors* (《CSCO 頭頸部腫瘤診療指南》), Guidelines of CSCO for the Diagnosis and Treatment of NPC* (《CSCO 鼻咽癌診療指南》), Guidelines of CSCO for the Diagnosis and Treatment of UC* (《CSCO 尿路上皮癌診療指南》), the Clinical Application Guidelines for Immune Checkpoint Inhibitors* (《CSCO 免疫檢查點抑制劑臨床應用指南》), Guidelines of CSCO for the Diagnosis and Treatment of Esophageal Cancer* (《CSCO 食管癌診療指南》) and others.

With three indications being included in the NRDL, TUOYI® is the only anti-PD-1 monoclonal antibody used in the treatment of melanoma in the NRDL. As of the date of the announcement, TUOYI® has been sold in more than 4,000 medical institutions and about 2,000 specialty pharmacies and community pharmacies nationwide. The indications of TUOYI® that have been included in the NRDL, including second-line treatment of melanoma, third-line treatment of NPC and second-line treatment of UC, were entitled to supplementary reimbursement in 137 regions and cities through the urban commercial insurance across the country. The newly added three indications of first-line treatment of ESCC, first-line treatment of NPC and first-line treatment of NSCLC were entitled to supplementary reimbursement of commercial insurance in 93, 104 and 93 cities, respectively. Furthermore, TUOYI® has been successfully included in the special drug catalogues of commercial insurance in 33 regions and cities to provide patients with multi-level medical protection, thus reducing the burden on patients and benefiting more patients.

MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of the Reporting Period, the Company had a commercialization team with nearly 1,000 members, and the domestic sales revenue of TUOYI® reached approximately RMB736 million for the Reporting Period, representing a year-on-year increase of approximately 79%. By virtue of the improvement in commercialization capabilities and the approval and launch of two new major indications for TUOYI® during the Reporting Period, the sales of TUOYI® in China started to enter a positive cycle. With the acceleration in clinical research, more pivotal registered clinical studies on first-line treatment, perioperative treatment and postoperative adjuvant treatment of TUOYI® will gradually be completed, and more new indications will enter sNDA stage. We are fully confident about the commercialization of TUOYI® in 2023 and beyond.

- *Milestones and achievements of clinical development*

Over 30 clinical studies covering more than 15 indications in respect of toripalimab have been conducted in China, the United States, Southeast Asia, Europe and other regions, involving indications such as lung cancer, nasopharyngeal cancer, esophageal cancer, gastric cancer, bladder cancer, breast cancer, liver cancer, renal cancer and skin cancer. Among the pivotal registered clinical studies, the Company has actively deployed perioperative treatment/postoperative adjuvant treatment for lung cancer, liver cancer, gastric cancer, esophageal cancer and other indications in addition to the extensive layout of toripalimab for the first-line treatment of multiple tumor types, to promote the application of cancer immunotherapy in the early treatment of cancer patients.

MANAGEMENT DISCUSSION AND ANALYSIS

Progress of clinical trials in China:

- In February 2022, the dosing of the first patient was completed in the Phase III clinical trial of TUOYI® in combination with standard chemotherapy as the adjuvant treatment after radical resection of gastric or esophagogastric junction adenocarcinoma (JUPITER-15 study, NCT05180734).

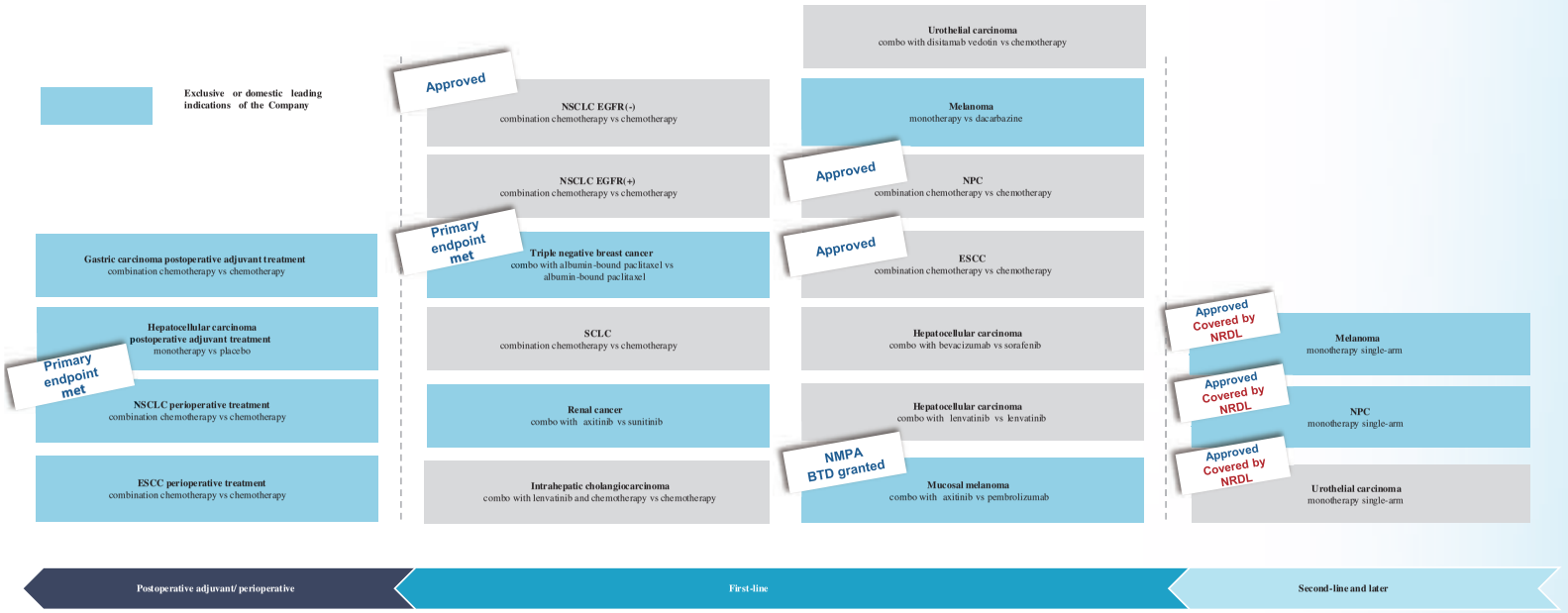
- In May 2022, the sNDA for TUOYI® in combination with paclitaxel and cisplatin in the first-line treatment of patients with unresectable locally advanced/recurrent or distant metastatic ESCC was approved by the NMPA. The study data showed that, compared with chemotherapy alone, TUOYI® in combination with platinum-containing chemotherapy showed a statistically significant increase in survival benefits, with median overall survival (mOS) significantly extended to 17 months, and extended by six months compared with the control group with chemotherapy alone. The risk of disease progression or death reduced by 42% (HR=5.8,P<0.0001), and patients benefited regardless of their PD-L1 expression. In terms of safety, no new safety signal was found when incorporating TUOYI® with chemotherapy for treatment.

- In September 2022, the sNDA for TUOYI® in combination with pemetrexed and platinum as the first-line treatment of EGFR mutation-negative and ALK mutation – negative, unresectable, locally advanced or metastatic non-squamous NSCLC was approved by the NMPA, which was the sixth indication of TUOYI® approved by the NMPA. The study data showed that, as compared to chemotherapy alone, TUOYI® in combination with chemotherapy in the first-line treatment of patients with advanced NSCLC without EGFR/ALK mutation can significantly improve the PFS and the OS of patients with a manageable safety profile regardless of PD-L1 expression status. In 245 non-squamous NSCLC patients, the median PFS of TUOYI® in combination with chemotherapy was 9.7 months, which was 4.2 months longer than placebo in combination with chemotherapy (HR = 0.48 [95% CI: 0.35-0.66], p < 0.0001); the median OS of TUOYI® in combination with chemotherapy has yet to be met, while OS benefits had already been observed, whereby the risk of death is reduced by 52% (HR=0.48 [95% CI: 0.32-0.71]).

- In January 2023, a randomized, double-blind, placebo-controlled, multi-center phase III clinical study (Neotorch study, NCT04158440) of TUOYI® in combination with platinum-containing doublet chemotherapy as perioperative treatment for operable NSCLC patients finished the pre-specified interim analysis. The IDMC had determined that the primary endpoint of EFS had met the pre-defined efficacy boundary. The Company has submitted application for the pre-NDA communication for such indication to the NMPA.

- In February 2023, a randomized, double-blind, placebo-controlled, multi-center phase III clinical study (TORCHLIGHT study, NCT04085276) of TUOYI® in combination with paclitaxel for injection (albumin-bound) in patients with initial diagnosis of stage or recurrent metastatic triple-negative breast cancer finished the pre-specified interim analysis. The IDMC had determined that the primary endpoint had met the pre-defined efficacy boundary. The Company has submitted application for the pre-NDA communication for such indication to the NMPA.

Pivotal registration clinical trial layout of Toripalimab



MANAGEMENT DISCUSSION AND ANALYSIS

International progress:

- In April 2022, TUOYI® was granted orphan-drug designation by the FDA for the treatment of SCLC, the fifth FDA orphan-drug designation obtained by TUOYI®. Previously, TUOYI® was granted orphan-drug designations by the FDA for the treatment of mucosal melanoma, NPC, soft tissue sarcoma and esophageal cancer, respectively.

- In July 2022, the FDA accepted for review the resubmission of the BLA for TUOYI® in combination with gemcitabine/cisplatin for the first-line treatment of patients with advanced recurrent or metastatic NPC and toripalimab monotherapy for second-line or later treatment of recurrent or metastatic NPC after platinum-containing chemotherapy.

- In December 2022, the MAA for toripalimab in combination with cisplatin and gemcitabine for the first-line treatment of patients with locally recurrent or metastatic NPC, and toripalimab in combination with paclitaxel and cisplatin for the first-line treatment of patients with unresectable locally advanced/recurrent or metastatic ESCC was accepted by the EMA.

- In February 2023, the MAA for toripalimab combined with cisplatin and gemcitabine for the first-line treatment of patients with locally recurrent or metastatic NPC, toripalimab combined with paclitaxel and cisplatin for the first-line treatment of patients with unresectable locally advanced/recurrent or metastatic ESCC was accepted by the MHRA.

• *Publication of academic achievements*

From the beginning of the Reporting Period to the date of this report, the milestones achieved in clinical studies of toripalimab have also been included in presentations of many international academic conferences and journals, details of which are as follows:

- In March 2022, the results of the JUPITER-06 study were published in Cancer Cell (IF: 38.585), an authoritative academic journal of Cell Press. Research results showed that, compared with the placebo in combination with chemotherapy, toripalimab in combination with TP chemotherapy (paclitaxel and cisplatin) for the first-line treatment of patients with advanced or metastatic ESCC can significantly improve the PFS and the OS of patients, and regardless of their PD-L1 expression, the combination regimen was effective and significantly improved the objective response rate and the disease control rate with manageable safety, offering a new first-line treatment regimen for the treatment of advanced ESCC.

- In March 2022, the latest data from the CHOICE-01 study was published by way of oral presentations at the ASCO Plenary Series 2022. The updated data further confirmed that compared with chemotherapy alone, toripalimab in combination with chemotherapy for the first-line treatment of advanced NSCLC without EGFR/ALK mutation can significantly extend the median PFS and reduce the risk of disease progression by 51%, which can also significantly extend the OS and reduce the risk of death by 31%, showing significant survival benefits.

MANAGEMENT DISCUSSION AND ANALYSIS

- In April 2022, at the 113th annual meeting of the American Association for Cancer Research (AACR), the analysis results of the study endpoint (namely progression free survival and median overall survival) of Phase III clinical research of toripalimab in combination with chemotherapy for first-line treatment of recurrent or metastatic NPC (RM NPC) versus placebo (JUPITER-02 study) were updated and presented by way of poster presentations (No.: CT226). Research results showed that, compared with the placebo in combination with chemotherapy group, the median PFS of toripalimab in combination with chemotherapy group was significantly extended, which was 21.4 months and 8.2 months, respectively, extended by 13.2 months. Toripalimab in combination with chemotherapy could reduce the risk of disease progression or death by 48%.

- In May 2022, The Innovation, a Cell Press partner journal, released the results of a Phase II clinical study of toripalimab in combination with chemotherapy for the first-line treatment of biliary tract cancer (BTCs).

- In June 2022, more than 30 researches in relation to toripalimab were selected at the annual meeting of the ASCO, particularly the use of toripalimab in combination with standard therapy or "new target" drugs, with numerous highlights regarding the promotion of its applications from backline to first-line treatment or even perioperative treatment/postoperative adjuvant treatment.

- In July 2022, the latest results of a Phase II clinical trial of toripalimab versus high-dose interferon-α2b (HDI) as an adjuvant therapy for resected mucosal melanoma (MuM) were published online in *Annals of Oncology* (IF: 51.769). Research results showed that the relapse-free survival (RFS) of toripalimab adjuvant therapy was similar to that of HDI therapy, and in patients with positive PD-L1 expression, toripalimab adjuvant therapy was significantly better than HDI therapy; and in terms of safety, toripalimab adjuvant therapy had better safety and tolerability, suggesting that toripalimab may be a new option for postoperative adjuvant therapy for MuM.

- In September 2022, the two-year EFS data of the clinical trial of toripalimab in combination with chemotherapy as a neoadjuvant treatment for resectable stage III NSCLC (NeoTAP01 study) was updated at the 2022 annual meeting of the European Society for Medical Oncology (ESMO), further demonstrating the long-term survival benefits of toripalimab in combination with chemotherapy as a neoadjuvant treatment for NSCLC.

- In October 2022, the study results of toripalimab in combination with chemotherapy as a neoadjuvant treatment for resectable locally advanced head and neck squamous cell carcinoma (HNSCC) were published in the Journal of Experimental & Clinical Cancer Research (IF: 12.658).

- In December 2022, the ESMO Immuno-Oncology Congress (ESMO-IO) was held in Geneva, Switzerland. The data of four Phase I/II studies of toripalimab in lung cancer was presented at the congress, involving multiple combination therapy strategies, all of which were presented by way of poster presentations.

MANAGEMENT DISCUSSION AND ANALYSIS

- In December 2022, a research paper entitled "Clinical Benefit of First-Line Programmed Death-1 Antibody Plus Chemotherapy in Low Programmed Cell Death Ligand 1-Expressing Esophageal Squamous Cell Carcinoma: A Post Hoc Analysis of JUPITER-06 and Meta-Analysis" was published in ASCO's publication *Journal of Clinical Oncology* (IF: 50.739). The research results showed that in the first-line treatment of advanced ESCC, the efficacy of PD-1 monoclonal antibody in combination with chemotherapy in the population with low PD-L1 expression was still significantly better than that of chemotherapy alone, adding novel and strong evidence for the use of combination therapy in patients with ESCC with low PD-L1 expression.

- In March 2023, the results of a single-center, single-arm Phase II clinical study on the efficacy and safety of toripalimab in combination with GEMOX and lenvatinib for the treatment of unresectable intrahepatic cholangiocarcinoma were published in *Signal Transduction and Targeted Therapy (STTT*, IF: 38.104), a journal of Nature.

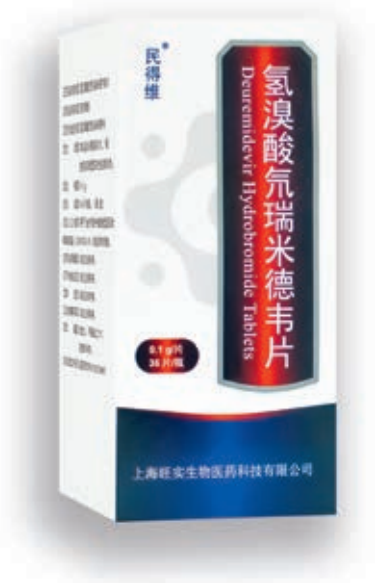
MINDEWEI (Deuremidevir Hydrobromide Tablets) (code: JT001/VV116)

MINDEWEI is a new oral nucleoside analog antiviral drug, which can be non-covalently bound to the active center of RdRp of SARS-CoV-2 in the form of nucleoside triphosphate, directly inhibiting the activity of RdRp of the virus and blocking the replication of virus, thus realizing the antiviral effect. Preclinical studies have shown that MINDEWEI exhibited significant antiviral effects against both the original COVID-19 strain and mutant strains, including Omicron, and exhibited no genetic toxicity. MINDEWEI was jointly developed by Shanghai Institute of Materia Medica, Chinese Academy of Sciences* (中國科學院上海藥物研究所), Wuhan Institute of Virology, Chinese Academy of Sciences* (中國科學院武漢病毒研究所), Xinjiang Technical Institute of Physics and Chemistry, Chinese Academy of Sciences* (中國科學院新疆理化技術研究所), Central Asian Center of Drug Discovery and Development of Chinese Academy of Sciences* (中國科學院中亞藥物研發中心)/China-Uzbekistan Medicine Technical Park (the Belt and Road Joint Laboratory of the Ministry of Science and Technology)* (中烏醫藥科技城(科技部「一帶一路」聯合實驗室)), Lingang Laboratory* (臨港實驗室), Suzhou Vigonvita Biomedical Co., Ltd.* (蘇州旺山旺水生物醫藥有限公司) and the Company.

On 29 December 2022, the results of a Phase III clinical study (NCT05341609) of VV116(MINDEWEI) versus nirmatrelvir tablet/ritonavir tablet (namely PAXLOVID) for the early treatment of patients with mild to moderate COVID-19 who are at high risk for progression to severe COVID-19, including death, were published online in the global authoritative journal *The New England Journal of Medicine* (*NEJM*, IF: 176.082). It is the first time that NEJM published the clinical trial results of a Chinese-developed anti-SARS-CoV-2 drug. The results showed that the primary endpoint of the study met the designed non-inferiority endpoint, and that compared with the PAXLOVID group, the clinical recovery time of the MINDEWEI group was shorter, and MINDEWEI showed fewer safety concerns.

MANAGEMENT DISCUSSION AND ANALYSIS

On 28 January 2023, the marketing of MINDEWEI for the treatment of adult patients with mild to moderate COVID-19 has been conditionally approved by the NMPA. This approval was mainly based on a multi-center, double-blind, randomized, placebo-controlled phase III clinical study (NCT05582629) to evaluate the efficacy and safety of MINDEWEI among mild to moderate COVID-19 patients with or without high risk for progression to severe COVID-19 led by academician Li Lanjuan (李蘭娟), director of the State Key Laboratory for Diagnosis & Treatment of Infectious Diseases (Zhejiang University)* (浙江大學傳染病診治國家重點實驗室) as primary researcher. The primary endpoint of the study was the time from the first administration to sustained clinical symptoms resolution, while the secondary endpoints included time to sustained clinical symptoms alleviation, proportion of patients with disease progression through day 28, changes of SARS-CoV-2 nucleic acid and viral load, and safety, etc. The study results showed that, as of the data cut-off date of the interim analysis, among 1,277 randomized and treated subjects, compared with placebo, the primary endpoint from the first administration to sustained clinical symptoms resolution (the score of 11 COVID-19 related clinical symptom =0 and lasted for two days) of MINDEWEI was significantly shortened, the median time difference was two days; the time to sustained clinical symptoms alleviation was significantly shortened, the change of viral load from baseline and other virological indicators were better than those of the placebo group. The Company is hoping to provide better and safer treatment options for COVID-19 patients in China and around the world with this new therapy.



MANAGEMENT DISCUSSION AND ANALYSIS

Tifcemalimab (code: TAB004/JS004)

Tifcemalimab is the world's first-in-human recombinant humanized anti-tumor anti-BTLA monoclonal antibody specific to B- and T-lymphocyte attenuator (BTLA) independently developed by us that has commenced clinical trial. As of the date of this report, tifcemalimab was at the dose-expansion stage in Phase Ib/II. We are conducting combination trials of tifcemalimab and toripalimab against multiple types of tumors in China and the United States. We believe that the combination of the two is a promising antitumor treatment strategy, which is expected to increase patients' response to immunotherapy and expand the range of potential beneficiaries. As of the date of this report, there is no other publicly disclosed anti-tumor product with the same target that has entered the clinical trial stage domestically and abroad.

At the annual meeting of the ASCO 2022, tifcemalimab debuted its early clinical results for the treatment of lymphoma and solid tumors by way of poster presentations. As a first-in-class drug, the initial data release of tifcemalimab was an important milestone event for BTLA-targeted drugs in the field of oncology. In a single-arm, open-label, multi-center, dose escalation Phase I study (NCT04477772) with Professor Zhu Jun from Peking University Cancer Hospital* (北京大學腫瘤醫院) and Professor Ma Jun from Harbin Institute of Hematology Oncology* (哈爾濱血液病腫瘤研究所) as the principal investigators, the safety and efficacy of tifcemalimab monotherapy or tifcemalimab in combination with toripalimab for the treatment of patients with relapsed or refractory (R/R) lymphoma was evaluated in human bodies for the first time. The research enrolled a total of 31 R/R patients (15 patients of Hodgkin's lymphoma and 16 patients of non – Hodgkin's lymphoma) who have previously received multiple lines of therapy. The median line of therapy was 4 (ranging from 1~10). 61.3% (19 patients) of patients previously received anti-PD-1/L1 antibody therapy. Research results showed that, among 25 patients available for evaluation under monotherapy, partial response (PR) was observed in one patient and stable disease (SD) was observed in seven patients, while among six patients available for evaluation under combination therapy (who have all progressed following anti-PD-1 antibody therapy), PR (ORR 50%) was observed in three patients and SD was observed in one patient. As of 26 April 2022 (median follow-up time of 31.9 weeks), the research recorded no dose-limiting toxicities (DLT). In the opinion of the researchers, tifcemalimab monotherapy or tifcemalimab in combination with toripalimab for the treatment of patients with R/R lymphoma showed good tolerability and demonstrated initial clinical efficacy. Preliminary biomarker analysis suggested that HVEM and PD-L1 expression may be associated with good clinical response. Tifcemalimab in combination with toripalimab for the treatment of R/R lymphoma is worthy of further development. Research in relation to the dose expansion phase under the combination therapy is currently underway.

At the annual meeting of the 64th American Society of Hematology (ASH) in 2022, tifcemalimab updated its preliminary data of Phase I clinical trial in patients with relapsed or refractory lymphoma. Among the 28 evaluable patients with relapsed or refractory lymphoma who received tifcemalimab in combination with toripalimab, although 85% of the patients progressed upon prior anti-PD-1 antiobody therapy, an ORR of 39.3% and a DCR of 85.7% were achieved, and the median duration of response (DoR) of all patients achieving response in such group remained immature.

The Company is communicating with the FDA and the NMPA on the launch of registrational clinical trials for tifcemalimab. If approved by regulatory authorities, the Company plans to conduct Phase III registrational clinical study for tifcemalimab in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Products That Have Been Commercialized or Are in the Late Clinical Stage R&D

JUNMAIKANG® (君邁康®) (adalimumab) (code: UBP1211)

JUNMAIKANG® is an adalimumab jointly developed by us, Mabwell Bio and its subsidiaries. As our third commercialized product, JUNMAIKANG® has received support from the national "Major New Drug Development", a major scientific and technological project, during the "Twelfth Five-Year Plan", which would bring new treatment options for Chinese patients at large with autoimmune disease after its launch. In March 2022, the marketing of JUNMAIKANG® for the treatment of rheumatoid arthritis, ankylosing spondylitis and psoriasis was approved by the NMPA, with the first prescription issued in May 2022. In November 2022, the supplemental application for five additional indications of JUNMAIKANG® for the treatment of Crohn's disease, uveitis, polyarticular juvenile idiopathic arthritis, pediatric plaque psoriasis and pediatric Crohn's disease was approved by the NMPA.

MANAGEMENT DISCUSSION AND ANALYSIS

Ongericimab (code: JS002)

Ongericimab is a recombinant humanized anti-PCSK9 monoclonal antibody independently developed by us for the treatment of primary hypercholesterolemia and mixed hyperlipidemia. In February 2023, both major pivotal registered clinical studies (study nos.: JS002-003 and JS002-006) of ongericimab had been successfully completed and met the primary endpoints, of which JS002-003 study is to assess the efficacy and safety of subcutaneous injection of ongericimab for the treatment of patients with primary hypercholesterolemia and mixed hyperlipidemia, and JS002-006 study is to assess the efficacy and safety of subcutaneous injection by using two drug delivery systems (pre-filled syringes and pre-filled autosyringes) of ongericimab for the treatment of patients with primary hypercholesterolemia and mixed hyperlipidemia. Ongericimab showed obvious lipid-lowering efficacy in both studies, with good safety. In addition, we had completed Phase II clinical studies in patients with homozygous familial hypercholesterolemia. The enrollment of patients for Phase III clinical studies of heterozygous familial hypercholesterolemia has been completed. As of the date of this report, there are two imported anti-PCSK9 monoclonal antibodies approved for marketing in China and there is no domestic anti-PCSK9 monoclonal antibody approved for marketing. We plan to submit an NDA application for such product to the NMPA in 2023.

PARP inhibitor senaparib (code: JS109)

Senaparib is a novel agent targeting PARP (poly-ADP ribose polymerase) developed by IMPACT Therapeutics. In August 2020, the Company and IMPACT Therapeutics entered into an agreement to form a joint venture company. The joint venture company mainly engages in the R&D and commercialization of small molecule anti-tumor drugs including senaparib. IMPACT Therapeutics contributes by way of injection of the asset right of senaparib, the PARP inhibitor, within the territories of mainland China, Hong Kong and Macau. The Company and IMPACT Therapeutics each owns 50% equity interest (please refer to the Company's announcements dated 20 August 2020 and 26 August 2020 for further details). The patient enrollment of Phase III clinical study of senaparib as the first-line maintenance treatment in platinum-sensitive advanced ovarian cancer patients has been completed, and is awaiting clinical data evaluation. In August 2022, the fixed-dose combination capsules of senaparib and temozolomide for the treatment of adult patients with SCLC was granted orphan-drug designation by the FDA. If the aforementioned Phase III clinical study of the product meets the pre-defined endpoints, we and IMPACT Therapeutics plan to submit an NDA application for such product to the NMPA in 2023.

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

JS005 is a specific anti-IL-17A monoclonal antibody developed independently by us. In preclinical studies, JS005 has shown efficacy and safety comparable to those of anti-IL-17 monoclonal antibodies that have been marketed. Data from preclinical study fully shows that JS005 has a clear target, definite efficacy, good safety, stable production process, and controllable product quality. As of the date of this report, the Phase I clinical study of JS005 has completed. The Phase II clinical trial on non-radiographic axial spondyloarthritis is in progress. The two Phase II clinical trials on moderate to severe psoriasis and ankylosing spondylitis have completed unblinding after a database lock, the efficacy results of which reached expectations with good safety. We have started the communication for registrational clinical trials, and the Phase III registrational clinical study is about to commence.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Products in the Early Clinical Stage of R&D and Are Planned to Be Prioritized

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

TAB006/JS006 is a recombinant humanized anti-TIGIT monoclonal antibody developed independently by us. According to the results of pre-clinical studies, TAB006/JS006 can specifically block TIGIT-PVR inhibitory pathway, stimulate the activation of killing immune cells to secrete tumor killing factors. TIGIT (T cell immunoglobulin and ITIM domain) is an emerging inhibitory receptor shared by NK cells and T cells, which can bind to PVR receptors highly expressed on tumor cells to mediate inhibitory signals of immune responses, thereby directly inhibit the killing effect of NK cells and T cells on tumor cells. The effect is similar to the inhibitory effect of PD-1 on T cells. A number of pre-clinical trial results show that anti-TIGIT antibody and anti-PD-1/PD-L1 antibody can play a synergistic antitumor effect. As of the date of this report, there is no product with similar targets approved for marketing domestically and overseas. In January 2021, TAB006/JS006 received IND approval from the NMPA. In February 2021, TAB006/JS006 received IND approval from the FDA. The Company has completed the Phase I clinical trial of TAB006/JS006 in China, and commenced the Phase II clinical trial of TAB006/JS006 in combination with toripalimab and standard treatment in accordance with relevant regulations.

Recombinant humanized anti-CTLA-4 monoclonal antibody (code: JS007)

JS007 is a recombinant humanized anti-CTLA-4 monoclonal antibody developed independently by us that is mainly used for the treatment of advanced cancer. Cytotoxic T lymphocyte-associated antigen-4 (CTLA-4) is an important receptor for T cell surface modulates immune response. JS007 is able to bind to CTLA-4 specifically and block the interaction between CTLA-4 and its ligand B7 (CD80 or CD86) effectively, thereby activates T-lymphocyte and inhibits the growth of tumor. Currently, ipilimumab, a marketed drug with the same target overseas, as the first immunity checkpoint inhibitor, has been proved to have significant tumor suppressor effect in multiple tumor types including melanoma, lymphoma, renal cell cancer, UC, ovarian cancer and NSCLC, and has been approved for the treatment of advanced melanoma. According to the data of pre-clinical studies, compared with ipilimumab with the same target but different sequence, JS007 shows similar level of safety but better efficacy. In June 2021, the clinical trial application for JS007 was approved by the NMPA. As of the date of this report, the enrollment of the Phase I clinical trial of JS007 is currently underway.

MANAGEMENT DISCUSSION AND ANALYSIS

Recombinant humanized anti-CD112R monoclonal antibody (code: TAB009/JS009)

TAB009/JS009 is a recombinant humanized monoclonal antibody against CD112R developed independently by us for the treatment of advanced malignant tumors. CD112R, also known as PVRIG (poliovirus receptor-related immunoglobulin domain-containing protein), is a new immune checkpoint pathway discovered by us. Dr. Yao Sheng, an executive Director, deputy general manager and core technical personnel of the Company, is one of the discoverers of this novel pathway. CD112R is a single-pass transmembrane protein of the PVR family, mainly expressed on T cells and NK cells, and is significantly upregulated upon activation. CD112R and TIGIT share a common ligand, CD112, which is expressed on the surface of antigen-presenting cells and certain tumor cells. CD112R can inhibit the antitumor effect of T cells and NK cells after ligand engagement. TAB009/JS009 binds specifically to CD112R with high affinity and effectively blocks the interaction between CD112R and its ligand CD112, thereby facilitating the activation and proliferation of T cells and NK cells and enhancing the immune system's ability to kill tumor cells. TIGIT is another immunosuppressive target of the PVR family. Its ligands include PVR and CD112, and its binding site for CD112 is different from that of CD112R. TAB009/JS009 in combination with the anti-TIGIT monoclonal antibody injection (TAB006/JS006) developed independently by us as well as toripalimab is expected to further increase T cell activation and improve the efficacy of clinical treatment. According to the results of pre-clinical studies, CD112R inhibitor in combination with TIGIT inhibitor and PD-1 inhibitor can further increase T cell activation and improve the efficacy of clinical treatment. We plan to actively explore drug combinations in the future to maximize the synergistic anti-tumor potential of our self-developed products. As of the date of this report, no product targeting CD112R has been approved for marketing domestically and globally. In April 2022 and August 2022, the IND application for TAB009/JS009 was approved by the FDA and the NMPA, respectively. The Company will commence the Phase I clinical trial of TAB009/JS009 in China and Australia in accordance with relevant regulations.

Recombinant IL-21 – a nanobody fusion protein of anti-human serum albumin (HSA) (code: JS014)

The active ingredient of JS014 is recombinant IL-21 – a nanobody fusion protein of anti-human serum albumin (HSA), of which the half-life can be significantly prolonged through fusing anti HSA nanobodies. JS014 is able to specifically combine human IL-21R with high affinity and activate T-lymphocyte. The prolongation of half-life can expand the distribution of the drug in the tumor microenvironment, and enhance the activity of tumor infiltrating lymphocytes in the tumor microenvironment, thereby improving the ability of immune system to kill tumor cells. In addition, the use of JS014 and immune checkpoint monoclonal antibodies jointly shows a strong synergistic antitumor effect. In June 2019, the Company executed a license agreement with Anwita Biosciences, Inc. We received the entitlement to develop and commercialize IL-21 fusion protein JS014 in the greater China territories (including mainland China, the Hong Kong Special Administrative Region, the Macao Special Administrative Region and the Taiwan region). In August 2021, the IND application for JS014 was approved by the NMPA. As of the date of this report, the enrollment of the Phase I clinical trial of JS014 is currently underway.

MANAGEMENT DISCUSSION AND ANALYSIS

Recombinant humanized anti-DKK1 monoclonal antibody injection (code: JS015)

JS015 is a recombinant humanized anti-DKK1 monoclonal antibody injection developed independently by the Company that is mainly used for the treatment of advanced malignant solid tumor. DKK1 (Dickkopf-1) is a secreted protein of the DKK family, which is highly expressed in multiple gastric cancer, gastroesophageal junction cancer, myeloma, liver cancer, lung cancer, ovarian cancer and other tumor cells, and can inhibit the canonical Wnt signaling pathway through negative feedback signals. JS015 binds to human DKK1 with high affinity, and can effectively block the interaction between DKK1 and its ligand LRP5/6 and activate the Wnt signaling pathway. At the same time, JS015 can inhibit the immunosuppressive effect of DKK1 in the tumor microenvironment, thereby improving the ability of immune system to kill tumor cells. The pre – clinical in vivo pharmacodynamics showed that JS015 monotherapy, JS015 in combination with TUOYI®, or in combination with paclitaxel, exhibit significant anti-tumor effect. In addition, JS015 is well-tolerated by animals. As of the date of this report, there is no product with similar targets approved for marketing domestically and overseas. In October 2022, the IND application for JS015 was approved by the NMPA. As of the date of this report, the enrollment of the Phase I clinical trial of JS015 is currently underway.

PI3K-α inhibitor (code: JS105)

JS105 is an oral small molecule inhibitor targeting PI3K-α jointly developed by us and Risen Biosciences, and is primarily used in the treatment of female (postmenopausal) and male patients with HR positive, HER-2 negative, PIK3CA-mutated advanced breast cancer who are experiencing disease progression during or after treatment with endocrine-based regimens. Pre-clinical studies have shown that JS105 is effective in animal models of breast cancer, and has better efficacy for patients with other solid tumors such as cervical cancer, renal cancer, colorectal cancer and esophageal cancer. JS105 has also demonstrated good safety. As of the date of this report, there is only one PI3K-α inhibitor, Piqray® (Alpelisib, a product of Novartis), approved for the treatment of HR-positive, HER-2-negative, PIK3CA-mutated advanced breast cancer in the world, and no PI3K-α inhibitor has been approved for marketing in China. In May 2022 and July 2022, the IND application for JS105 was approved by the NMPA and the FDA, respectively. As of the date of this report, the enrollment of the Phase I clinical trial of JS105 is currently underway.

Recombinant humanized anti-Claudin18.2 monoclonal antibody-MMAE conjugate (code: JS107)

JS107 is a recombinant humanized anti-Claudin18.2 monoclonal antibody-MMAE (Monomethyl auristatin-E) conjugate for injection developed independently by the Company. It is an antibody – drug conjugate (ADCs) targeting tumor-related protein Claudin18.2, and is intended to be used for the treatment of advanced malignant tumors, such as gastric cancer and pancreatic cancer. JS107 can bind to Claudin18.2 on the surface of tumor cells, enter into tumor cells through endocytosis, and release the small molecule toxin MMAE, which has demonstrated strong lethality to tumor cells. JS107 also retained antibody-dependent cellular cytotoxicity (ADCC) and complement dependent cytotoxicity (CDC) effects, further killing tumor cells. Furthermore, due to the cell permeability of MMAE, JS107 can mediate indiscriminate killing of other tumor cells by way of its bystander effect, thereby improving the efficacy of treatment and inhibiting tumor recurrence. The pre-clinical in vivo pharmacodynamics showed that JS107 exhibits significant anti-tumor effect. As of the date of this report, there is no product with similar target approved for marketing domestically and overseas. In March 2022, the IND application for JS107 was approved by the NMPA. As of the date of this report, the enrollment of the Phase I clinical trial of JS107 is currently underway.

MANAGEMENT DISCUSSION AND ANALYSIS

XPO1 inhibitor (code: JS110)

JS110 is a small molecule inhibitor of the nuclear export protein XPO1, which is clinically intended to treat patients with advanced tumors. According to the results of pre-clinical studies, JS110 specifically blocks the function of XPO1, inhibits the nuclear export of various tumor suppressor proteins including p53, and strengthens the functions of tumor suppressor proteins. JS110 inhibits the growth and induces death of various tumor cells in vitro. In animal tumor models, JS110 monotherapy or combination therapy can inhibit the growth of various blood and solid tumors. Due to its unique mechanism of action, the development of JS110 is expected to bring new treatments to patients with advanced tumors. In April 2021 and August 2022, the IND application for JS110 was approved by the NMPA and the FDA. As of the date of this report, the enrollment of the Phase I clinical trial of JS110 is currently underway.

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

JS111 is a small molecule inhibitor that effectively inhibits uncommon EGFR mutations. The uncommon EGFR mutations account for about 10% of all EGFR mutations, including EGFR exon20 insertion, T790M point mutation and complex mutations, as well as sequence repeat mutations and other point mutations between exon 18 and 21 represented by G719X. Due to the limited clinical benefits from existing EGFR-TKI, chemotherapy and immunotherapy for patients with EGFR exon20 insertion or other uncommon EGFR mutations in NSCLC, patients have urgent demand for clinical treatments. Pre-clinical data showed that JS111 maintains the activity of inhibition for the common EGFR mutations such as T790M and selection of wild-type EGFR, while overcoming the insensitivity of the third-generation EGFR inhibitor for exon20 insertion and other uncommon EGFR mutations. The development of JS111 is expected to bring new treatments for cancer patients with EGFR exon20 insertion mutation and other uncommon EGFR mutations. In April 2021, the clinical trial application for JS111 was approved by the NMPA. As of the date of this report, the Phase I/II clinical trial of JS111 (NCT04993391) is in progress. The study aims to evaluate the safety, tolerability, pharmacokinetics and preliminary efficacy of JS111 in the treatment of patients with locally advanced or metastatic NSCLC in the dose escalation stage, dose expansion stage and efficacy expansion stage.

Aurora A inhibitor (code: JS112)

JS112 is an oral small molecule Aurora A inhibitor. As a member of serine/threonine protein kinases in the Aurora kinase family, Aurora A plays an important role in the process of cell mitosis. Studies show that the use of Aurora A inhibitor in combination with $KRAS^{G12C}$ inhibitor can overcome resistance to $KRAS^{G12C}$ inhibitor, and Aurora A inhibitor and RB1 gene deletion or inactivation have a synthetic lethal effect, and can be used to treat RB1-deleted or inactivated malignant tumors, such as SCLC and triple negative breast cancer. As of the date of this report, no Aurora A inhibitor has been approved for marketing globally. In February 2022, the IND application for JS112 was approved by the NMPA. As of the date of this report, the enrollment of the Phase I clinical trial of JS112 is currently underway.

Fourth-Generation EGFR inhibitor (code: JS113)

JS113 is a first-in-class fourth-generation EGFR inhibitor and is intended for the treatment of EGFR-mutant NSCLC and other solid tumors. JS113 has a brand new molecular structure and unique bioactivity. Preclinical data shows that the drug has good inhibitory activity towards primary and acquired EGFR mutants (including the triple mutants Del19/T790M/C797S and L858R/T790M/C797S) that are insensitive to third-generation EGFR inhibitors, and certain alternative pathway targets and immunosuppressive targets that are resistant to TKI. At the same time, it is highly selective against wild-type EGFR. In June 2022, the IND application for JS113 was approved by the NMPA. As of the date of this report, the enrollment of the Phase I clinical trial of JS113 is currently underway.

MANAGEMENT DISCUSSION AND ANALYSIS

Recombinant humanized anti-CD20/CD3 bispecific antibody (code: JS203)

JS203 is a recombinant humanized anti-CD20/CD3 bispecific antibody self-developed by the Company, mainly for the treatment of relapsed/refractory B-cell non-hodgkin lymphoma. CD20 is a B lymphocyte restricted differentiation antigen and one of the most successful targets for B-cell lymphoma treatment. CD3 is an important marker on the surface of T cell. The main mechanism of T cell engaging bispecific antibodies is using CD3 as a mediator to activate T cells to specifically attack tumor cells. JS203 consists of anti-CD20 segment and anti-CD3 segment. By associating and activating T cells (binding to CD3) and lymphoma cells (binding to CD20), JS203 can enable T cells to kill lymphoma cells effectively. Pre-clinical in vivo pharmacodynamics shows that JS203 has a significant anti-tumor effect. In addition, JS203 is well tolerated by animals. As of the date of this report, there is only one anti-CD20/CD3 bispecific antibody, Lunsumio® (mosunetuzumab, a product of Roche), has been approved for launch by the FDA and granted conditional marketing authorization by the European Commission. No product with similar target has been approved for marketing in China. In July 2022, the IND application for JS203 was approved by the NMPA. As of the date of this report, the enrollment of the Phase I clinical trial of JS203 is currently underway.

JS001sc injection (code: JS001sc)

JS001sc injection is a subcutaneous injection formulation developed by the Company on the basis of toripalimab injection, a marketed product. JS001sc targets PD-1, binds to PD-1 with high affinity, and selectively blocks the binding of PD-1 to the ligands PD-L1 and PD-L2, thereby activating T lymphocytes and improving lymphocyte proliferation and cytokine secretion. The pre-clinical in vivo pharmacodynamics shows that JS001sc exhibits significant anti-tumor effect in animal models by subcutaneous injection. At the dose level of 0.3mg/kg, the anti-tumor effect of JS001sc administered by subcutaneous injection is comparable to that of toripalimab administered by intravenous injection, with no significant difference. In addition, animals have a good tolerance to JS001sc. With the gradual popularization of the concept of "chronic care management" in tumor immunotherapy, compared to frequent visits to the hospital for intravenous injection, subcutaneous injection with less time administration has become more attractive. At the same time, subcutaneous injection can avoid infusion-related adverse reactions caused by intravenous injection, so as to benefit the patients and reduce medical costs. As of the date of this report, amongst more than ten PD-(L)1 antibodies that have been approved worldwide, only Envafolimab (trade name: ENWEIDA®) is administered by subcutaneous injection, the rest are all administered by intravenous injection. As of the date of this report, the enrollment of the Phase I clinical trial of JS001sc is currently underway.

Small interfering RNA drug targeting angiopoietin-like protein 3 messenger RNA (code: JS401)

JS401 is a siRNA drug targeting ANGPTL3 mRNA jointly developed by us and Risen Shanghai, which is intended to be mainly used for the treatment of hyperlipidemia and other treatments. ANGPTL3 is a member of the angiopoietin-like protein family expressed by the liver that regulates lipid metabolism by inhibiting lipoprotein lipase (LPL) and endothelial lipase (EL). Loss-of – function or inhibition of ANGPTL3 can significantly reduce the levels of triglycerides and other atherogenic lipoproteins. JS401 is delivered into hepatocytes through N-acetylgalactosamine (GalNac), where it specifically degrades ANGPTL3 mRNA and continuously inhibits the expression of ANGPTL3 protein, thereby exerting its lipid-lowering effect on triglycerides and cholesterol. As of the date of this report, there is only one monoclonal antibody drug Evkeeza® (Evinacumab-dgnb) targeting ANGPTL3 approved in the world, and no similar target siRNA product has been approved for marketing globally. In January 2023, the IND application for JS401 was accepted by the NMPA.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Corporate Development

- As of the end of the Reporting Period, the Group owned 121 granted patents, of which 94 were domestic patents and 27 were overseas patents. These patents cover the molecular structure, preparation process, usage, preparation formula of new drugs, providing sufficient and long-life-cycle patent protection for our products.

- In December 2022, we completed the issuance of 70 million new A Shares to 17 target subscribers at an issue price of RMB53.95 per Share. The gross proceeds amounted to RMB3,776.50 million, which will be used for R&D projects of innovative drugs and Shanghai Junshi Biotech headquarters and R&D base project. The investment in the R&D project of innovative drugs will provide necessary funding support for promoting the R&D progress of drug candidates and enriching their R&D pipeline. The construction of global headquarters and R&D base will help integrate the Company's preclinical research laboratories and clinical research teams that are relatively scattered in Shanghai, thereby providing far superior R&D environment and conditions for the R&D team to carry out drug discovery, development and clinical research, and adapt to the trend of international development. Through the implementation of the projects, we will further accelerate the R&D process of our drug candidates, further expand the R&D pipeline of our drug candidates, and further strengthen our principal operations.

FUTURE AND OUTLOOK

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

1. Revenue

As at 31 December 2022, total revenue reached approximately RMB1,453 million, representing a year-on-year decrease of approximately 64% compared to the corresponding period in 2021, which includes: (i) revenue from pharmaceutical products of approximately RMB753 million, increased by approximately 76% compared to the corresponding period in 2021, which was mainly due to the increase in commercialization capability and approval and launch of two additional large indications for TUOYI®; and (ii) revenue from out-licensing of approximately RMB476 million, decreased by approximately 86% compared to the corresponding period in 2021, which was mainly due to (a) all milestones events agreed upon in the research collaboration and license agreement entered into between the Company and Eli Lilly and Company have been completed in 2021 and the decrease of sales-based royalty compared to the corresponding period in 2021; and (b) the upfront payment agreed upon in the exclusive license and commercialization agreement entered into with Coherus was an one-off revenue and was recognized in 2021. Only the revenue of exercising the option of TAB006/JS006 program was recognized during the Reporting Period, and subsequent milestones events have not been attained.

2. R&D Expenses

R&D expenses mainly include clinical research and technical service expenses, staff salary and welfare, depreciation and amortization, share-based payment expenses and other operating expenses.

During the Reporting Period, R&D expenses were approximately RMB2,384 million, which increased by approximately RMB315 million as compared to the corresponding period in 2021, representing a year-on-year increase of approximately 15%. R&D expenses included clinical research and technical service expenses of approximately RMB1,705 million, staff salary and welfare expenses of approximately RMB462 million, depreciation and amortization expenses of approximately RMB115 million, share-based payment expenses of approximately RMB49 million and other operating expenses of approximately RMB53 million. In particular, clinical research and technical service expenses, staff salary and welfare expenses and depreciation and amortization expenses increased by approximately 16%, 13% and 43%, while share-based payment expenses and other operating expenses decreased by approximately 9% and 10% as compared to the corresponding period in 2021, respectively.

The increase in R&D expenses was mainly due to (i) the Group continuously increasing its investment in R&D and enriching its product pipelines; (ii) the acceleration in the progress of current clinical project and development of reserved R&D projects; and (iii) reserve of the R&D team.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Selling and Distribution Expenses

Selling and distribution expenses mainly include staff salary and welfare, expenses for marketing and promotion activities, share-based payment expenses and other operating expenses.

During the Reporting Period, selling and distribution expenses amounted to approximately RMB716 million, which decreased by approximately RMB19 million as compared to the corresponding period in 2021, representing a year-on-year decrease of approximately 3%. Selling and distribution expenses included staff salary and welfare expenses of approximately RMB399 million, expenses for marketing and promotion activities of approximately RMB288 million, share-based payment expenses of approximately RMB4 million and other operating expenses of approximately RMB25 million. In particular, staff salary and welfare expenses increased by approximately 18%, while expenses for marketing and promotion activities, share-based payment expenses and other operating expenses decreased by approximately 17%, 73% and 32% as compared to the corresponding period in 2021, respectively. The decrease in selling and distribution expenses was mainly due to (i) the effective implementation of cost control policy which led to the decrease of promotion expenses; (ii) decreased share-based compensation; but (iii) partially offset by the increase of staff salary and welfare expenses of sales team.

4. Administrative expenses

Administrative expenses mainly include administrative staff cost, office administration expenses, depreciation and amortization, share-based payment expenses and other miscellaneous expenses.

During the Reporting Period, administrative expenses amounted to approximately RMB578 million, which decreased by approximately RMB70 million as compared with the corresponding period in 2021, representing a year-on-year decrease of approximately 11%. Administrative expenses included: administrative staff cost of approximately RMB264 million, depreciation and amortization expenses of approximately RMB115 million, office administration expenses of approximately RMB97 million, share-based payment expenses of approximately RMB29 million and other miscellaneous expenses of approximately RMB73 million. In particular, office administration expenses and share-based payment expenses decreased by approximately 18% and 71%, while administrative staff cost, depreciation and amortization expenses and other miscellaneous expenses increased by approximately 5%, 6% and 4% as compared with the corresponding period in 2021, respectively. The significant decrease in administrative expenses in 2022 was mainly due to (i) the effective implementation of cost control policy; and (ii) decresed share-based compensation.

5. Liquidity and Capital Resources

As at 31 December 2022, bank balances and cash increased to approximately RMB5,997 million from approximately RMB3,505 million as at 31 December 2021. The increase in bank balances and cash mainly came from (i) the successful issuance of the Company's new A Shares; (ii) new bank borrowings; but (iii) partially offset by net cash outflow of operating and investing activities.

MANAGEMENT DISCUSSION AND ANALYSIS

6. Non-IFRS Measures

To supplement the Group's consolidated financial statements which are prepared in accordance with the IFRS, the Company has provided adjusted total comprehensive expenses for the period (excluding effects from non-cash related items and one-off events which include but not limited to share-based payment expenses and net exchange losses), as additional financial measures, which are not required by, nor presented in accordance with, the IFRS. The Company believes that the non-IFRS financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these non-IFRS financial measures in assessing the Group's financial performance by eliminating the impacts of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the non-IFRS financial results on a stand-alone basis or as a substitute for results under the IFRS, or as being comparable to results reported or forecasted by other companies.

Non-IFRS adjusted total comprehensive expenses for the period:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
IFRS total comprehensive expense for the year	**(2,650,714)**	(718,579)
Add:		
Share-based payment expenses	**91,911**	192,754
Net exchange (gains) losses	**(50,052)**	39,937
Adjusted total comprehensive expense for the year	**(2,608,855)**	(485,888)

7. Global Offering, Listing on the STAR Market, Placing of H Shares, Issuance of A Shares and Use of Proceeds

The total proceeds from the issue of new H Shares by the Company in its listing of H Shares on the Hong Kong Stock Exchange (after deducting the underwriting fees and related listing expenses) amounted to approximately RMB3,003 million and all proceeds was fully utilized as at 31 December 2022. The net proceeds from the H Share Listing (adjusted on a pro rata basis based on the actual net proceeds) have been utilized in accordance with the purposes set out in the prospectus of the Company dated 11 December 2018 and subsequently the announcements of the Company dated 29 August 2019 (the "**2019 Announcement**") and 28 August 2020 regarding the changes in use of proceeds from the H Share Listing.

	Planned use of proceeds as disclosed in the Prospectus		Planned use of proceeds as disclosed in the 2019 Annual Report (including amount already utilized as at 31 December 2019)		Planned use of proceeds as disclosed in the 2020 Interim Report (including amount already utilized as at 30 June 2020)		Unutilized proceeds as at 31 December 2021	Proceeds utilized during the Reporting Period	Utilized proceeds as at 31 December 2022	Unutilized proceeds as at 31 December 2022	Expected timeline for application of the unutilized proceeds
Planned Usage	RMB'000	% of total proceeds	RMB'000	% of total proceeds	RMB'000	% of total proceeds	RMB'000	RMB'000	**RMB'000**	**RMB'000**	
The R&D and commercialization of the Group's drug candidates	1,952,203	65%	2,162,440	72%	2,372,677	79%	10,883	10,883	**2,372,677**	–	Was fully utilized by 31 December 2022
The R&D and commercialization of the Group's Core Product, JS001	*1,201,356*	*40%*	*1,201,356*	*40%*	*1,291,457*	*43%*	*4,447*	*4,447*	***1,291,457***	–	*Was fully utilized by 30 June 2022*
The R&D of the Group's other drug candidates to fund clinical trials worldwide, including JS004, etc. (Note 1a)	*480,542*	*16%*	*480,542*	*16%*	*600,678*	*20%*	*6,436*	*6,436*	***600,678***	–	*Was fully utilized by 31 December 2022*
The construction of, acquisition of facilities for and settlement of start-up costs on the Lingang Site and the Wujiang Site (Note 1b)	*270,305*	*9%*	*480,542*	*16%*	*480,542*	*16%*	–	–	***480,542***	–	*Was fully utilized by 31 December 2021*
The Group's investment in the health care and/or life science sector(s), including acquisition of companies, licensing-in and collaboration (Note 1c)	750,847	25%	540,610	18%	330,373	11%	571	571	**330,373**	–	Was fully utilized by 31 December 2022
The Group's working capital and other general corporate purposes	300,339	10%	300,339	10%	300,339	10%	301 (Note 2)	301 (Note 2)	**334,872** (Note 2)	–	Was fully utilized by 31 December 2022
	3,003,389	100%	3,003,389	100%	3,003,389	100%	11,755	11,755	**3,037,922**	–	

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

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

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

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

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

2. The sum of proceeds includes interests of RMB35 million generated from bank savings accounts in which the IPO proceeds have been deposited.

As approved by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2020] No. 940) (證監許可[2020]940 號文), the Company issued 87,130,000 ordinary shares (A Shares) to the public in a public offering in July 2020 at the issue price of RMB55.50 per share. The gross proceeds amounted to approximately RMB4,836 million. After deducting issuance expenses of approximately RMB339 million in accordance with the related requirements, the net proceeds amounted to approximately RMB4,497 million. The net proceeds from the listing of A Shares have been used and will be used in accordance with the uses disclosed in the Company's A Share prospectus dated 8 July 2020.

Committed investment projects	Planned use of proceeds RMB'000	Unutilized proceeds as at 31 December 2021 RMB'000	Proceeds utilized during the Reporting Period RMB'000	Utilized proceeds as at 31 December 2022 RMB'000	Unutilized proceeds as at 31 December 2022 RMB'000	Expected timeline for application of the unutilized proceeds
Research and development projects of innovative drugs	1,200,000	110,182	110,182	1,200,000	–	Was fully utilized by 31 December 2022
Junshi Biotech Industrialization Lingang Project	700,000	–	–	700,000	–	Was fully utilized by 31 December 2020
Repayment of bank loans and replenishment of liquidity	800,000	15,970	25,897	809,927	–	Was fully utilized by 30 June 2022
Surplus proceeds	1,796,978	1,244,292	525,501	1,078,187	751,217	Expected to be fully utilized by 31 December 2024
	4,496,978(Note 1)	1,370,444(Note 2)	661,580(Note 2)	3,788,114(Note 1)	751,217(Notes 1&2)	

Notes:

1. The difference between (i) the sum of proceeds utilized and the unutilized proceeds and (ii) the net proceeds from the issuance represents interests generated from bank saving accounts.

2. The difference between (i) the sum of proceeds utilized during the Reporting Period and unutilized proceeds as at 31 December 2022 and (ii) unutilized proceeds as at 31 December 2021 represents interests generated from bank saving accounts.

MANAGEMENT DISCUSSION AND ANALYSIS

On 23 June 2021, the Company completed the placing of an aggregate of 36,549,200 new H Shares (the "**Placing Shares**") under general mandate pursuant to a placing agreement dated 16 June 2021 entered into by and among the Company, J.P. Morgan Securities plc (as sole placing agent), Guotai Junan Securities (Hong Kong) Limited (as co-managers) and Caitong International Securities Co., Limited (as co-managers). The Placing Shares were issued to not less than six placees who were professional, institutional and/or other investors and who were independent of, and not connected with the Company and its connected persons (as defined in the Hong Kong Listing Rules) at a placing price of HK$70.18 per H Share. The market price of the H Shares on 16 June 2021 was HK$70.65 per H Share. The net cash inflow from the placing was approximately RMB2,104 million. The net proceeds from the placing are intended to be used by the Group toward the R&D of drugs and pipeline expansion, expansion of the commercialization team, domestic and overseas investment, mergers and acquisitions, and business development, and general corporate purposes. The Board considered that the Placing was beneficial to the Company for the following reasons: (a) available funds would be brought by the net proceeds from the Placing for the Company's sustainable development to enhance the development and commercialized layout of potential first-in-class drugs in the international market, promote and accelerate the implementation of clinical trials of more first-in-class drugs in international multi-centers, and arrange and expand new-generation platforms and R&D technologies, to further improve the Company's competitiveness; and (b) it could expand the Shareholders base of the Company, optimize the shareholding structure and further attract more international renowned investment institutions with long-term strategic values through the platform of the Hong Kong Stock Exchange. For further details of the placing, please refer to the Company's announcements dated 16 June 2021 and 23 June 2021.

As at 31 December 2022, approximately RMB2,092 million of the net proceeds from the placing has been utilized. The Company will gradually utilize the remaining net proceeds from the placing in accordance with such intended purposes based on the estimate of future market conditions and business operations of the Company, and will remain subject to change based on current and future development of market conditions and actual business needs.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out the intended use and actual usage of the net proceeds from the placing as at 31 December 2022:

Purpose of the proceeds	Intended use of the net proceeds (Approx. RMB million)	Unutilized proceeds as at 31 December 2021 (Approx. RMB million)	Proceeds utilized during the Reporting Period (Approx. RMB million)	Proceeds utilized as at 31 December 2022 (Approx. RMB million)	Unutilized proceeds as at 31 December 2022 (Approx. RMB million)	Expected timeline for application of the unutilized proceeds
R&D of drugs and pipeline expansion	815	219	210	806	8	Expected to be fully utilized by 30 June 2025
Expansion of the commercialization team	1	1	1	1	–	Was fully utilized by 31 December 2022
Domestic and overseas investment, mergers and acquisitions & business development	285	224	224	285	–	Was fully utilized by 30 June 2022
General corporate purpose	1,003	230	246	1,000	–	Was fully utilized by 31 December 2022
	2,104(Note 1)	674(Note 2)	681(Note 2)	2,092(Note 1)	8(Notes 1&2)	

Notes:

1. The difference between (i) the sum of proceeds utilized and the unutilized proceeds and (ii) the net proceeds from the placing represents foreign exchange losses and interests generated from bank saving accounts.

2. The difference between (i) the sum of proceeds utilized during the Reporting Period and unutilized proceeds as at 31 December 2022 and (ii) unutilized proceeds as at 31 December 2021 represents foreign exchange losses and interests generated from bank saving accounts.

MANAGEMENT DISCUSSION AND ANALYSIS

As approved by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2022] No. 2616) (證監許可[2022]2616 號文), the Company issued 70,000,000 ordinary shares (A Shares) to target subscribers (including securities investment fund management companies, securities firms, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors, and other domestic legal persons investors and natural persons, who/which satisfy the relevant requirements of the China Securities Regulatory Commission) on 6 December 2022 at the issue price of RMB53.95 per Share. The gross proceeds amounted to approximately RMB3,777 million. After deducting issuance expenses of approximately RMB32 million in accordance with the related requirements, the net proceeds amounted to approximately RMB3,745 million. The net proceeds from the issuance of A Shares have been used and will be used in accordance with the uses disclosed in the Company's circular dated 7 March 2022, announcements dated 7 March 2022 and 14 June 2022. The market price of A Shares on 6 December 2022 was RMB57.72 per A Share. The Company considered that the projects funded by the proceeds involved in the issuance of A Shares would accelerate the Company's clinical research work and promote the marketing process of relevant products in the PRC and overseas, enhance the synergy between preclinical and clinical research, and relieve tensions in R&D and operation funds of the Company to a certain extent, which are conducive to the realization of the Company's core development strategy and the sustainable and sound development of the production and operation of the Company.

Purpose of the proceeds	**Intended use of the net proceeds** (Approx. RMB million)	**Proceeds utilized during the Reporting Period** (Approx. RMB million)	**Unutilized proceeds as at 31 December 2022 (Approx. RMB million)**	**Expected timeline for application of the unutilized proceeds**
R&D projects of innovative drugs	3,464	**140**	**3,324**	Expected to be fully utilized by 31 December 2026
Shanghai Junshi Biotech headquarters and R&D base project	281	**70**	**211**	Expected to be fully utilized by 31 December 2026
	3,745	**210**	**3,535**	

DIVIDENDS

No dividend was paid or declared by the Company during the years ended 31 December 2022 and 2021 nor has any dividend been declared since the end of the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

LOSS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(2,386,067)**	(718,557)

Number of shares:

	Year ended 31 December	
	2022	2021
Weighted average number of ordinary shares for the purpose of basic loss per share	**917,465,166**	892,659,689

The weighted average number of ordinary shares for the purpose of basic earning per share for the year ended 31 December 2022 has been adjusted for the issuance of 1,845,200 and 269,740 shares upon the exercise of share options on 5 July 2022 and exercise of RSUs on 1 November 2022, respectively, and the issuance of 70,000,000 new A shares on 2 December 2022.

(b) Diluted

The computation of diluted loss per share for the years ended 31 December 2022 and 31 December 2021 do not assume the exercise of the Company's outstanding share options and RSUs as this would result in a decrease in loss per share. Accordingly, diluted loss per share for the years ended 31 December 2022 and 31 December 2021 are the same as basic loss per share for the respective year.

INTERESTS IN JOINT VENTURES

During the Reporting Period, the Group continued to establish companies jointly with its partners to create synergies through the joint ventures, which complemented the technological advantages of each other, further enriched the R&D channel of innovative drugs of the Group and enhanced the market presence of the Group.

On 28 February 2022, the Group invested 50% interest in Shanghai Lijing Biosciences Technology Limited (上海禮境生物醫藥科技有限公司) ("**Shanghai Lijing**") at a total consideration of RMB80,000,000. The principal activities of Shanghai Lijing are engaged in technical services, technological development, drug production, wholesale of drugs and commissioned production of drugs.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2022, the Group has made a capital injection of RMB15,000,000 to the joint venture Suzhou Kebo Ruijun Biosciences Co., Ltd.* (蘇州科博瑞君生物醫藥科技有限公司).

OTHER FINANCIAL ASSETS

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current assets		
Financial assets measured at FVTPL		
– Unlisted equity investments in partnership *(Note a)*	**156,235**	155,218
– Unlisted equity investments *(Note b)*	**12,182**	46,664
– Investments in preference shares *(Note c)*	**604,323**	551,651
– Warrant *(Note d)*	**–**	20,000
	772,740	773,533
Financial asset designated as FVTOCI *(Note e)*	**137,457**	253,575
	910,197	1,027,108

Notes:

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

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

(c) The amounts represent investments in preference shares in unlisted entities established in the PRC, the USA and the Cayman Islands, which are mainly engaged in drug discovery. For the investment in preference shares in an unlisted entity established in the Cayman Islands with fair value of RMB92,163,000 (2021: RMB78,569,000), one out of seven members in the board of directors is designated by the Group.

(d) The amount represented investment in a warrant amounted to RMB20,000,000 for the right to subscribe 4,687,301 preference shares of an investee. During the year ended 31 December 2022, the Group exercised its right to acquire the preference shares of the investee.

(e) The amount represents equity investment in Coherus, whose shares are listed in the USA. The investment is not held for trading; instead, it is held for long-term strategic purpose. The management of the Group have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in the investment's fair value in profit or loss would not be consistent with the Group's strategy of holding the investment for long-term purposes and realising the performance potential in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

INVENTORIES

Our inventories increased significantly from approximately RMB485 million as at 31 December 2021 to approximately RMB599 million as at 31 December 2022, mainly due to the increasing work in progress in line with the commecialization of TUOYI® and JUNMAIKANG®.

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Raw materials	**338,942**	353,059
Work in progress	**219,213**	102,665
Finished goods	**40,866**	28,877
	599,021	484,601

TRADE RECEIVABLES

Trade receivables decreased from RMB1,293 million as at 31 December 2021 to RMB233 million as at 31 December 2022, mainly due to recovery of out-licensing receivables for the prior period and a decline in out-licensing income during the reporting period.

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables	**232,743**	1,285,243
Trade receivables backed by bank bills	**–**	7,690
	232,743	1,292,933
Less: Allowance for credit losses	**(18)**	–
	232,725	1,292,933

The trade receivables and trade receivables backed by bank bills are receivables from contracts with customers. As at 31 December 2022 and 31 December 2021, no trade receivables are past due.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Deposits		
– current	**17,933**	13,780
– non-current	**15,238**	16,796
Prepayments		
– current *(Note a)*	**239,822**	397,383
– non-current *(Note b)*	**293,562**	351,534
Amount due from a partner of a joint operation *(Note c)*		
– current	**5,853**	4,976
Deposits in relation to use right of lands *(Note d)*		
– current	**–**	7,719
– non-current	**11,579**	11,579
Interest receivables		
– current	**2,719**	–
Value added tax ("VAT") recoverable *(Note e)*		
– current	**79,424**	125,873
– non-current	**42,370**	154,005
	708,500	1,083,645
Less: Allowance for credit losses	**(614)**	(590)
	707,886	1,083,055
Analysis as		
– current	**345,137**	549,141
– non-current	**362,749**	533,914
	707,886	1,083,055

Notes:

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(d) In November 2021, the Group paid a refundable and interest-bearing deposit amounting to RMB19,298,000 for acquiring the use right of lands located in Shanghai to Shanghai Zhangjiang Science City Construction Management Office. 40% of the deposit of RMB7,719,000 was refunded upon the initiation of the construction of the facility. The remaining 60% of the deposit of RMB11,579,000 will be refunded upon completion of the construction.

(e) Included in VAT recoverable are RMB79,424,000 (2021: RMB125,873,000) presented as current assets as at 31 December 2022 since they are expected to be deducted from future VAT payable arising on the Group's revenue which are expected to be generated within the next twelve months from the end of the reporting period. The remaining VAT recoverable of RMB42,370,000 (2021: RMB154,005,000) are therefore presented as non-current assets as at 31 December 2022.

TRADE AND OTHER PAYABLES

Trade and other payables decreased from RMB1,908 million as at 31 December 2021 to RMB1,338 million as at 31 December 2022, mainly due to timely payment of payables to licensor and decline in business volume relating to in-licensed product for the Reporting Period.

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables	**281,600**	196,205
Accrued expenses in respect of:		
– construction costs of construction in progress	**133,382**	89,874
– research and development expenses *(Note a)*	**415,751**	227,709
– selling and distribution expenses	**65,783**	64,569
– others	**75,205**	54,149
Payment to licensor *(Note b)*	**69,097**	932,509
Payment to a collaboration party under collaboration agreement *(Note c)*	**16,639**	15,742
Salary and bonus payables	**191,903**	213,777
Other tax payables	**35,187**	20,579
Payable for transaction costs for the issue of new shares	**2,898**	757
Other payables	**50,955**	91,653
	1,338,400	1,907,523

As at 31 December 2021, included in trade payables and other payables were of related-parties payables RMB8,400,000 and RMB1,224,000 to Shanghai Ruotuo Biotechnology Co., Ltd.* (上海偌妥生物科技有限公司) ("**Ruotuo Bio**") and Jiangsu Ruihe Environmental Engineering Research Centre Co., Ltd.* (江蘇瑞河環境工程研究院有限公司) ("**Ruihe**") for service fee payables and construction payables. Ruotuo Bio is a subsidiary of the associate the Group invested in, Anwita and one of the Company's director, Tang Yi is also the director of Ruihe. There is no payable due to related parties as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Payment terms with suppliers are mainly with credit term of 0 days to 90 days (2021: 15 days to 60 days) from the time when the goods and services are received from the suppliers.

Notes:

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

(b) Amount represents the accrual on license income payable to licensor at the end of reporting period, which is repayable upon 30 days after issuance of invoice.

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

INDEBTEDNESS

Unsecured Borrowings

As at 31 December 2022, we had unsecured borrowings of RMB434 million in total from China Merchants Bank, Industrial Bank Co., Ltd., Industrial and Commercial Bank of China and China Construction Bank. The borrowings bear interest rates ranging from 1.9% to 3.9% per annum.

Secured Borrowings

We entered into a secured borrowing agreement amounting to RMB480 million with the Industrial and Commercial Bank of China for a period from 13 May 2022 to 12 May 2030, and accumulatively drew down RMB241 million as at 31 December 2022. The borrowing carries an interest rate of five-year Loan Prime Rate ("**LPR**") minus 85 basis points per annum. The borrowing is secured by machinery situated in Wujiang Production Base, which are held by our subsidiary Suzhou Junmeng.

We entered into a secured borrowing agreement amounting to RMB450 million with the Bank of Shanghai for a period from 20 May 2022 to 20 May 2030, and accumulatively drew down RMB70 million as at 31 December 2022. The borrowing carries an interest rate of five-year LPR minus 55 basis points per annum. The borrowing is secured by the leasehold land situated in Shanghai Zhoupu, which is held by the Company.

The Group incurred borrowings for: i) ongoing clinical trials and preclinical studies for our drug candidates; ii) construction of the Lingang Production Base; and iii) construction of our headquarters in Suzhou and Shanghai.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2022, the Group has pledged the following assets as securities for the Group's bank borrowings:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Property, plant and equipment	**672,430**	664,538
Right-of-use assets	**146,166**	55,611
	818,596	720,149
The maturity profile of bank borrowings is as follows:		
– within one year	**391,750**	10,596
– within a period of more than one year but not exceeding two years	**84,836**	30,000
– within a period of more than two years but not exceeding five years	**397,708**	220,000
– within a period of more than five years	**357,038**	240,000
	1,231,332	500,596

All bank borrowings are denominated in RMB as at 31 December 2022 and 2021.

CONTRACTUAL COMMITMENTS

Capital and Other Commitments

As at 31 December 2022, the Group's capital expenditure in respect of the acquisition of property, plant and equipment and investment contracted for but not provided in the consolidated financial statements was RMB935 million, which increased by 41% from RMB664 million as at 31 December 2021, due to the increased capital expenditure in acquisition of property, plant and equipment.

Financing Plan

In the coming year, the Group expects to obtain a credit limit of RMB7,700 million to support the Group's production operations and project construction.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

Gearing ratio is calculated using interest-bearing borrowings less bank balances and cash, divided by total equity and multiplied by 100%. As at 31 December 2022, the Group was in a net cash position and thus, gearing ratio is not applicable.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended December 31, 2022, we did not have significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures.

CONTINGENT LIABILITIES

As at 31 December 2022, we did not have any material contingent liabilities.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, the Group does not have other plans for material investments or capital assets.

RISK FACTORS

1. Risks related to pending profitability

A long profit cycle is one of the most salient features of the biopharmaceutical industry. It typically takes a relatively long period for a biopharmaceutical company at the R&D stage to grow before it becomes profitable. As an innovative biopharmaceutical company, the Company is currently in an important R&D investment phase, and our R&D investment is expected to increase significantly and consistently in line with the expansion of R&D pipeline and acceleration of domestic and overseas drug clinical trial activities. Our future profitability depends on the pace of the launch and the conditions of post-launch sales of drugs that we are currently developing. On the other hand, heavy R&D investments and high marketing and operating costs will add uncertainties to the Company's profitability. Therefore, the Company is exposed to the risk of not being able to become profitable in the short term.

The Company has achieved commercial sales of four products (TUOYI®, JUNMAIKANG®, MINDEWEI and etesevimab), and various drug candidates in the late stage of research and development close to commercialization. The accelerated development of more and more drug candidates as well as the successive completion of registrational clinical trials for more indications of the approved products will further improve the Company's financial position and help create conditions for the profitability of the Company to turn around as soon as possible.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Risks related to significant decline in performance or loss

The Company is committed to the discovery, development and commercialization of innovative therapies. The Company actively deploys a product pipeline that covers various therapeutic areas. In the future, it will maintain a corresponding scale of investment in R&D for the pre-clinical research, global clinical trials and preparation for NDAs of drug candidates and other drug development. Besides, the Company's NDA and registration works, post-launch marketing and promotion activities and other aspects will incur large amount of expenses, which may result in greater losses for the Company in the short run, thereby adversely affecting the Company's daily operations and financial position. During the Reporting Period, there were no material adverse changes in the principal business and core competitiveness of the Company.

3. Risks related to core competitiveness

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

4. Risks related to operations

The Company's business operations require certain R&D technical services and raw materials supply. Currently, the relationship between the Company and existing suppliers are stable. If the price of R&D technical services or raw materials increased significantly, the Company's profitability may be adversely affected. At the same time, the Company's suppliers may not be able to keep up with the rapid development of the Company, such that they may have to reduce or terminate the supply of the Company's R&D services or raw materials. If such R&D technical services or the supply of raw materials were disrupted, the Company's business operations may be adversely affected. Furthermore, some of the Company's raw materials, equipment and consumables are directly or indirectly imported. If there are significant changes in the international trade situation, the Company's production and drug development may be affected to a certain extent.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's core products TUOYI® and JUNMAIKANG® have been included in Category B of the NRDL. The reduction in price after being included into the drug list can effectively improve the accessibility and affordability of the Company's products, which is conducive to a significant increase in product sales. However, if the increase in sales is less than expected, it may adversely affect the Company's revenue.

5. Finance risks

During the Reporting Period, the exchange rate risks of the Company is mainly derived from assets and liabilities held by the Company and its subsidiaries, which are denominated in foreign currencies other than the bookkeeping base currency. The exchange rate risks exposed by the Company are mainly related to items denominated in HKD, USD, EUR, CHF and GBP. Continuous significant fluctuation in exchange rates of foreign currencies and RMB held by the Company in the future will bring continuous exchange gains and losses to the Company, thereby affecting the operating performance of the Company.

6. Risks related to the industry

In view of the constant reforms in the medical and health system, the implementation of a series of policies such as control on medical insurance fees, publication of the new edition of the National Essential Medicine List* (《國家基本藥物目錄》), consistency evaluation, reform in drug approval, compliance regulations, commencement of centralized procurement of "4+7" drugs on a trial basis and "zero tariff" on imported drugs, encouraging pharmaceutical enterprises to be innovative and reduce prices of drugs have become a general trend, and the industry landscape is about to be reshaped. If the Company fails to keep up with industry trends and continue with its innovation in the future, or if there are adverse changes in relevant industry policies, the Company's development may be adversely affected.

The Company's development goal has always been "innovation". Except for a few products which are biosimilars, most of the remaining drug candidates are innovative drugs. In response to the above industry and policy risks, the Company will adapt to changes its external policies, continue to improve our innovation capabilities and our ability to continuously discover and develop new products, increase our R&D investments, accelerate the process of innovative drugs entering clinical trial phase and the market, and respond to challenges with innovation. On this basis, the Company will further expand our production capacity, and reduce the unit cost of our products while maintaining the quality of our products, so as to address the possible price reduction of drugs in future. At the same time, we will comply with relevant laws and regulations and adapt our business operations to the changes in regulatory policies to avoid possible policy risks.

7. Risks related to the macro environment

Future changes in the international, political, economic and market environment, especially the uncertainty of trade relations between China and the United States, as well as the additional tariffs or other restrictions that may be imposed by China and the United States on cross-border technology transfer, investment and trade, may have a certain adverse impact on the Company's overseas business operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Xiong Jun 熊俊，49

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

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

Mr. Xiong is the chairman of board of directors of certain of the Group's subsidiaries, namely Suzhou TopAlliance, Suzhou Junao and Suzhou Junshi Biotechnology. He is also the general manager of Jiangsu Union Biopharm, Suzhou TopAlliance, Suzhou Junao and Hainan JunTop, and an executive director of Jiangsu Union Biopharm, JunTop Biosciences, Hainan JunTop, Vinnerna Biosciences and Junshi Hong Kong Limited. Mr. Xiong is also the chairman of the board of directors of Shanghai Junshi Xihai Biotechnology Co., Ltd.*, an associate of the Group.

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

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

Mr. Xiong is the son of Mr. Xiong Fengxiang, a Shareholder of the Company and a party to the 2017 Concert Party Agreement. As at 31 December 2022, Mr. Xiong is deemed to be interested in 218,324,586 A Shares and 2,600 H Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Li Ning 李寧，61

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

Appointed to the Board: June 2018

Joined the Group: January 2018

Dr. Li's main experience prior to joining the Group includes: from May 1994 to January 1997, he served as a senior researcher of WESTAT, the research cooperation center of NIH AIDS in the U.S.; from February 1997 to December 2009, he held various positions, including reviewer, senior reviewer, team leader of review team and branch director at the FDA; from September 2009 to January 2018, he held various positions in Sanofi, including senior director of the registration and medical policy department of the group, assistant to vice president and vice president; from January 2007 to December 2010, he was a part-time professor at Johns Hopkins University in the U.S.; from November 2010 to November 2012, he was a guest professor at the Clinical Research Institute of Peking University; and from January 2012 to December 2014, he was a part-time professor at the Medical Informatics Center of Peking University.

Dr. Li obtained his bachelor's degree in medicine from Shanghai First Medical College in July 1984, his master's degree in medicine from Shanghai Medical University in October 1987 and Ph.D. degree in preventive medicine/biostatistics from University of Iowa, the U.S. in August 1994.

As at 31 December 2022, Dr. Li is interested in 956,000 A Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

Li CONG 李聰，58

Co-Chief Executive Officer

Appointed to the Board: December 2016

Joined the Group: December 2016

Mr. Li has over 20 years of experience in the pharmaceutical industry. Mr. Li's main experience includes: from July 1986 to December 1997, he was a lecturer on pathological anatomy of Shanghai Tiedao University School of Medicine; from December 1997 to January 2004, he served as the sales director of the Shanghai branch of NOVO Nordisk (China) Pharmaceuticals Co., Ltd.; from January 2004 to March 2019, he held the positions of manager of East China Region, sales director, assistant to general manager and general manager at Tonghua Dongbao Pharmaceutical Co., Ltd.* (a company listed on the Shanghai Stock Exchange (stock code: 600867.SH)). Since June 2019, he has been serving as director and general manager of Suzhou Landing Biopharmaceutical Co., Ltd.*

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

As at 31 December 2022, Mr. Li is deemed to be interested in 3,657,600 A Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Feng Hui 馮輝，46
Chief Operations Officer

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

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

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

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

As at 31 December 2022, Mr. Feng is interested in 13,652,000 A Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Zhang Zhuobing 張卓兵，55
Deputy General Manager

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

Mr. Zhang has over 20 years of experience in the pharmaceutical industry. Mr. Zhang has been a deputy general manager of Shanghai Union Biopharm from November 2011 to November 2015, the legal representative, executive director and general manager of Suzhou Union since October 2013, the legal representative, executive director and general manager of Wuxi Junshi Biomedical Technology Co., Ltd.* since December 2022, the legal representative, and executive director of Wuxi Runmin Pharmaceutical Technology Co., Ltd.* since December 2022, a director of Beijing Tianshi since April 2016, a director of Shanghai Junshi Xihai Biotechnology Co., Ltd.* since September 2021, and a director of Shanghai Junshi Kong Biotechnology Co., Ltd.* since December 2021.

Mr. Zhang was one of the founders of the Company when it was established in December 2012 and was a supervisor of the Company from December 2012 to March 2013.

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

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

As at 31 December 2022, Mr. Zhang is deemed to be interested in 9,120,000 A Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Yao Sheng 姚盛，47
Deputy General Manager

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

Dr. Yao's main experience prior to joining the Group includes: From January 2003 to April 2004, he was a postdoctoral researcher at Mayo Medical School; from May 2004 to December 2010, he was a lecturer and research fellow at the Johns Hopkins University School of Medicine; from January 2011 to October 2011, he was a research scientist at Yale University School of Medicine; from October 2011 to June 2014, he was a senior scientist at Amplimmune Inc., a subsidiary of AstraZeneca, responsible for the tumor immunology and anti-autoimmune diseases antibody project. Dr. Yao is also the Chief Executive Officer of TopAlliance. He took part in the invention of certain registered patents and patents in application in relation to JS002 and JS003 for the Group.

Dr. Yao obtained his bachelor's degree in biotechnology from School of Life Sciences of Peking University in June 1998 and his Ph.D. degree in molecular genetics from Albert Einstein College of Medicine, the U.S. in January 2003. Dr. Yao has a number of articles published in journals including Nature Communications, Science Advances, Immunity, Jem, Blood and JI.

As at 31 December 2022, Dr. Yao is deemed to be interested in 1,200,000 A Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Zou Jianjun 鄒建軍，51

Deputy General Manager, Global Research and Development President

Appointed to the Board: June 2022
Joined the Group: April 2022

Dr. Zou has over 20 years of experience in the healthcare sector. From August 1995 to September 2005, she served as the resident and attending physician at the department of oncology under the department of clinical medicine at the 301 Hospital of the People's Liberation Army* (解放軍 301 醫院) and at the department of oncology at the Shanghai Changzheng Hospital* (上海長徵醫院) respectively. From October 2005 to October 2012, she served as the medical manager of the research and development department and the head of the oncology therapeutic team of Bayer China, and the head of global medical affairs at the United States headquarters of Bayer Pharmaceuticals in New Jersey. From October 2012 to September 2015, she served as the head of China Medical Affairs at Celgene Pharmaceuticals in the United States. From September 2015 to April 2022, she served as the chief medical officer and deputy general manager at Jiangsu Hengrui Pharmaceutical Co., Ltd.* (江蘇恒瑞醫藥股份有限公司).

Dr. Zou enrolled into the department of clinical medicine at the Fourth Military Medical University* (第四軍醫大學) in 1989 and graduated with a bachelor's degree in clinical medicine in 1995. She graduated with a doctorate degree in clinical oncology from the Second Military Medical University* (第二軍醫大學) in August 2005.

Non-Executive Directors

Wu Hai 武海，49

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

Dr. Wu has nearly 20 years of experience in the biopharmaceutical industry. From March 2003 to September 2007, he worked as a postdoctoral res affiliate at the Stanford University; from August 2007 to February 2009, he was a scientist at Trellis Biosciences; from February 2009 to May 2013, he was a senior scientist at Amgen. Dr. Wu served as a deputy general manager of the Company from March 2015 to October 2020, an Executive Director of the Company from December 2016, and was re-designated to a Non-executive Director on 14 October 2020. He took part in the invention of certain registered patents and patents in application in relation to JS002 and JS003 for the Group.

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Tang Yi 湯毅，54
Member of the Audit Committee

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

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

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

As at 31 December 2022, Mr. Tang is deemed to be interested in 204,418,286 A Shares and 2,600 H Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Chen Lieping 陳列平，65

Member of Strategic Committee

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

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

Dr. Chen is the chairman of the board of directors of Fuzhou Tuoxin Tiancheng Biological Technology Co., Ltd.* (福州拓新天成生物科技有限公司) ("**Fuzhou Tuoxin**"), which was a limited liability company established in the PRC on 17 April 2017 with a registered capital of RMB138.25 million. According to its business licence, Fuzhou Tuoxin is licensed to engage in business activities including, among others, R&D in biological and pharmaceutical areas. As confirmed by Dr. Chen, Fuzhou Tuoxin focused on the area of cellular immunotherapy in practice and it currently maintains a minimal operation with no substantial business. The Company is of the view that as Fuzhou Tuoxin has no substantial business operation or R&D activities, Fuzhou Tuoxin is not in competition with the Group. Dr. Chen has undertaken to the Company to keep the Company promptly and fully informed of his business or other activities which would or is likely to be in conflict or in competition (or may potentially compete) with the Group.

Dr. Chen is a director and directly interested in 14.63% of the equity interest of Dayou Huaxia Biotech Medical Group Co. Ltd.* (大有華夏生物醫藥集團有限公司) ("**Dayou Huaxia**"), which was a limited liability company established in the PRC on 27 September 2016 with a registered capital of RMB307.5 million. According to its business licence, Dayou Huaxia is licensed to engage in business activities including, among others, R&D in biopharmaceutical technology and diagnostic technology, medical research and tests. As confirmed by Dr. Chen, Dayou Huaxia is engaged in development of new antibody drug candidates and immunotherapy in practice, and it is currently at an early stage of R&D. The Company is of the view that since Dayou Huaxia is only at an early stage of R&D and with reference to the progress the Group has already achieved, there is no actual competition between the and Dayou Huaxia, notwithstanding that there may be potential competition in the future if Dayou Huaxia achieves any significant advancement in their R&D.

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Roy Steven Herbst，60
Member of Strategic Committee

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

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

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

Qian Zhi 錢智，54
Member of Audit Committee, Nomination Committee, and Remuneration and Appraisal Committee

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

From August 1989 to March 1995, Mr. Qian was a teacher of Jiangsu Law School; from March 1995 to July 1999, he was a lawyer partner at Nanjing Xiemanlin Law Firm; from July 1999 to December 1999, he was a lawyer of Nanjing Nandou Law Firm; from January 2000 to March 2006, he served as the deputy director and lawyer of Jiangsu Weishide Law Firm; since March 2006, he has been a director and a lawyer at Jiangsu Liansheng Law Firm* (formerly Jiangsu Gowin Law Firm*); since May 2022, he has been an independent director of Kidswant Children Products Co., Ltd.* (a company listed on the Shenzhen Stock Exchange with stock code 301078.SZ).

Mr. Qian obtained his bachelor of laws degree from Fudan University in July 1989 and his master of laws degree from Nanjing University in December 2004. Mr. Qian was also awarded "grade one lawyer" (一級律師) by the Jiangsu Municipal Human Resources and Social Security Bureau in November 2015. Mr. Qian has been an arbitrator under the Nanjing Arbitration Committee since September 2017, a legal consultant of the Nanjing People's Government since December 2017, and a legal consultant of the People's Government of Jiangsu Province since July 2021.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Zhang Chun 張淳，65

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

Appointed to the Board: June 2020

Joined the Group: June 2020

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

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

Feng Xiaoyuan 馮曉源，66

Chairman of Nomination Committee, and member of Remuneration and Appraisal Committee

Appointed to the Board: December 2021

Joined the Group: December 2021

Dr. Feng worked as an operator of the Shanghai Fifth Pharmaceutical Factory from December 1975 to February 1978. He was a radiologist at Huashan Hospital of Fudan University from December 1982 to November 2016. He served as the deputy dean and secretary of the Party Committee at Huashan Hospital of Fudan University from April 2000 to May 2008. From May 2007 to June 2011, he served as the dean of Shanghai Medical College of Fudan University. He served as the vice president of Fudan University from May 2011 to July 2015 and since August 2016, he served as a tenured professor (honorary position, non-faculty position) at Huashan Hospital of Fudan University. He has been appointed as the chairman of the board of directors of Lunqin (Shanghai) Medical Technology Co., Ltd.* (倫琴(上海)醫療科技有限公司) since November 2016. He served as the dean of Shanghai Penta Innovation & Entrepreneurship Institute since January 2018. He has been the president of Shanghai Society of Biotechnology since October 2018.

Dr. Feng obtained his bachelor's degree in medicine from Shanghai First Medical College in December 1982 and a doctor's degree in diagnostic radiology Shanghai Medical University in December 1988.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Wu Yu 鄔煜，37

Chairman of the Board of Supervisors

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

Mr. Wu's experience includes: from March 2011 to March 2014, he was the chief analyst in the environmental protection and public utilities department at Sinolink Securities Research Centre; from January 2016 to April 2017, he worked at Huatai Securities Co., Ltd.; since October 2017, he has been the investment director at Shanghai Guoyin Asset Management Centre (LP)*; since November 2021, he has been the research director of Kingsun (Shanghai) Investment Co., Ltd.*, Mr. Wu obtained his bachelor's degree in electrical engineering and automation from Shanghai Jiao Tong University in June 2008 and his master's degree in computational mathematics from Shanghai Jiao Tong University in January 2011.

Wang Pingping 王萍萍，41

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

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

Huo Yilian 霍依蓮，32

Appointed to the Board of Supervisors: June 2021
Joined the Group: April 2021

Ms. Huo joined the Company and has been a purchasing manager of the Company since April 2021, and has been a supervisor of Shanghai Junshi Xihai Biotechnology Co., Ltd.* since September 2021. Since October 2022, she has been the executive director and legal representative of Suzhou Junao Cancer Hospital Co., Ltd.*; since December 2022, she has been a supervisor of Wuxi Junshi Biomedical Technology Co., Ltd.* and Wuxi Runmin Pharmaceutical Technology Co., Ltd.*. Ms. Huo's main experience prior to joining the Group includes: from November 2016 to May 2017, she served as a commercial operation coordinator at NBCUniversal Inc.; from April 2018 to June 2018, she served as a sales specialist in General Electric (China) Co., Ltd.; and from July 2018 to March 2021, she served as a sales specialist in ABB (China) Co., Ltd. Shanghai Office.

Ms. Huo obtained her bachelor's degree in science from Pennsylvania State University, the United States in 2014 and her master's degree in science from New York University, the United States in 2016.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Wang Gang 王剛，65

Dr. Wang joined the Group and has been serving as the deputy general manager and chief quality officer of the Company since August 2019. Dr. Wang's main experience includes: from October 1995 to June 1998, he engaged in post-doctoral research at the U.S. National Institutes of Health; from June 1998 to July 1999, he was a research scientist at the U.S. Osiris Therapeutics; from August 1999 to August 2003, he was a biologist at the U.S. research institute of National Institutes of Health; from August 2003 to June 2005, he was an assistant professor at the U.S. University of Texas; from June 2005 to April 2017, he was a senior policy advisor, an assistant officer at the office in China, a senior auditor and a lead inspector of the FDA; from April 2017 to April 2018, he was the chief scientist of the Center for Drug Evaluation of NMPA for compliance and inspection; from May 2018 to August 2019, he was the vice president of the Shanghai quality department of WuXi Biologics Co., Ltd. He has been an independent director of Obio Technology (Shanghai) Corp., Ltd. (a company listed on the Shanghai Stock Exchange STAR Market (stock code: 688238.SH)) since January 2021. He has been an independent director of Shanghai Hrain Biotechnology Co., Ltd. since June 2021. Dr. Wang obtained his doctoral degree in Pharmacology & Toxicology from the School of Medicine of Dartmouth College, the U.S. in 1995.

Xu Baohong 許寶紅，44

Mr. Xu has been the financial director of the Company since November 2020. Mr. Xu's main work experience includes: from June 2004 to May 2011, he served as the head of financial department of Shanghai Gas (Group) Co., Ltd.*; from May 2011 to April 2013, he served as the research director of Shanghai Homey Asset Management Co., Ltd.*; from April 2013 to February 2020, he served as the general manager and research director of Shanghai Shizhen Investment Management Centre (General Partnership)*; from February 2020 to November 2020, he served as the head of strategic investment department of the Company, and served as executive director and general manager of Junshi Venture Capital (Hainan) Co., Ltd.* since June 2021. Mr. Xu graduated from Shanghai University of Finance and Economics in 2004 and obtained a bachelor's degree in economics and a master's degree in management.

Chen Yingge 陳英格，31

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

Other Senior Management Team

Our senior management also include Dr. Li Ning (general manager), Mr. Li Cong (Co-Chief Executive Officer), Mr. Zhang Zhuobing (deputy general manager), Dr. Yao Sheng (deputy general manager), and Dr. Zou Jianjun (deputy general manager, global research and development president), see "—Executive Directors" above for biographical details of Dr. Li Ning, Mr. Li Cong, Mr. Zhang Zhuobing, Dr. Yao Sheng and Dr. Zou Jianjun.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Chen Yingge 陳英格

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

Lai Siu Kuen 黎少娟

Ms. Lai is a Director of Corporate Services of Tricor Services Limited, an Asia's leading business expansion specialist specializing in integrated Business, Corporate and Investor Services. Ms. Lai has over 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Lai is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators).

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

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

The Company has applied the CG Code contained in Appendix 14 of the Listing Rules of the Stock Exchange as the basis of the Company's corporate governance practices.

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

The Board is of the view that throughout the Reporting Period, the Company has complied with all the applicable principles and code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions.

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

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

BOARD OF DIRECTORS

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

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

CORPORATE GOVERNANCE REPORT

Board Composition

The Board currently comprises fourteen Directors, consisting of seven Executive Directors, two Non-executive Directors and five Independent Non-executive Directors. The details of the Board composition are as follows:

Executive Directors

Mr. Xiong Jun (Chairman and Legal Representative)
Dr. Li Ning (Chief Executive Officer and General Manager)
Mr. Li Cong (Co-Chief Executive Officer)
Dr. Feng Hui
Mr. Zhang Zhuobing
Dr. Yao Sheng
Dr. Zou Jianjun (appointed with effect from 29 June 2022)

Non-executive Directors

Dr. Wu Hai
Mr. Tang Yi
Mr. Lin Lijun (resigned with effect from 8 December 2022)

Independent Non-executive Directors

Dr. Chen Lieping (tendered resignation which is to take effect upon the appointment of a new Independent Non-executive Director)
Dr. Roy Steven Herbst
Mr. Qian Zhi
Mr. Zhang Chun
Dr. Feng Xiaoyuan

The biographical information of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" on pages 59 to 68 of this annual report.

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

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

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

CORPORATE GOVERNANCE REPORT

Chairman, Chief Executive Officer and Co-Chief Executive Officer

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

Independent Non-executive Directors

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

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

Appointment and Re-election of Directors

Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

Continuous Professional Development of Directors

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

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

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

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

CORPORATE GOVERNANCE REPORT

The training records of the Directors for the year ended 31 December 2022 are summarized as follows:

Directors	Type of Training [Note]
Executive Directors	
Mr. Xiong Jun	A/B
Dr. Li Ning	A/B
Mr. Li Cong	A/B
Dr. Feng Hui	A/B
Mr. Zhang Zhuobing	A/B
Dr. Yao Sheng	A/B
Dr. Zou Jianjun (appointed with effect from 29 June 2022)	A/B
Non-executive Directors	
Dr. Wu Hai	A/B
Mr. Tang Yi	A/B
Mr. Lin Lijun (resigned with effect from 8 December 2022)	A/B
Independent Non-executive Directors	
Dr. Chen Lieping (tendered resignation which is to take effect upon the appointment of a new Independent Non-executive Director)	A/B
Dr. Roy Steven Herbst	A/B
Mr. Qian Zhi	A/B
Mr. Zhang Chun	A/B
Dr. Feng Xiaoyuan	A/B

Note:

Types of Training

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

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

BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT

Audit Committee

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

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

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

Remuneration and Appraisal Committee

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

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

The Remuneration and Appraisal Committee held four meetings during the Reporting Period to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management and other related matters, to make recommendation on the appraisal indicators and standards for participants and fully communicate with the Board and management of the Company to finalize the 2022 Restricted Share Incentive Scheme (Draft) and appraisal methods and submit the same to the Board for consideration.

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

CORPORATE GOVERNANCE REPORT

Nomination Committee

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

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

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

The Nomination Committee held two meetings during the Reporting Period to express opinions on the qualifications and requirements of the Directors and members of the Board committees to be appointed and the senior management to be engaged by the Board. With regards to the appointment of Dr. Zou Jianjun as executive Director during the Reporting Period, the Nomination Committee followed the procedures set out in the Director Nomination Policy and considered, including but not limited to, the qualifications and experience of candidates. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained.

Board Diversity Policy

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

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

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

The Nomination Committee will review the Board Diversity Policy and its implementation on an annual basis. The Company targeted to appoint at least one female Director by 31 December 2022, and has appointed a female Director during the Reporting Period. We understand the special importance of gender diversity, as such we will strive to achieve gender diversity of the Board. In selecting and recommending suitable candidates to become members of the Board, the Company will seize opportunities to increase the proportion of female Board members, and promote gender diversity based on Shareholders' expectations and recommended best practices. The Company plans to promote gender diversity in the recruitment of mid- and senior-level employees, so that the Company has more potential female senior management and Board members.

CORPORATE GOVERNANCE REPORT

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

Directors	Gender	Age	Length of Service as Director (Date of Appointment as Director)
Executive Directors			
Mr. Xiong Jun	Male	49	More than 8 years (27 March 2015)
Dr. Li Ning	Male	61	More than 4 years (24 June 2018)
Mr. Li Cong	Male	58	More than 6 years (22 December 2016)
Dr. Feng Hui	Male	46	More than 8 years (27 March 2015)
Mr. Zhang Zhuobing	Male	55	More than 6 years (22 December 2016)
Dr. Yao Sheng	Male	47	More than 6 years (22 December 2016)
Dr. Zou Jianjun (appointed with effect from 29 June 2022)	Female	51	Not more than 1 year (29 June 2022)
Non-executive Directors			
Dr. Wu Hai	Male	49	More than 6 years (22 December 2016)
Mr. Tang Yi	Male	54	More than 7 years (30 May 2015)
Mr. Lin Lijun (resigned with effect from 8 December 2022)	Male	49	More than 4 years (24 June 2018)
Independent Non-executive Directors			
Dr. Chen Lieping (tendered resignation which is to take effect upon the appointment of a new Independent Non-executive Director)	Male	65	More than 4 years (24 June 2018)
Dr. Roy Steven Herbst	Male	60	More than 4 years (24 June 2018)
Mr. Qian Zhi	Male	54	More than 4 years (24 June 2018)
Mr. Zhang Chun	Male	65	More than 2 years (19 June 2020)
Dr. Feng Xiaoyuan	Male	66	More than 1 year (16 December 2021)

As at 31 December 2022, the Company had 1,382 male employees (46.67%) and 1,579 female employees (53.32%). The Board is satisfied with the gender diversity of our employees and no measurable objective with respect to gender diversity has been adopted as of the date of this report. We will continue to ensure that gender diversity is maintained when recruiting employees at all levels.

CORPORATE GOVERNANCE REPORT

Director Nomination Policy

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Strategic Committee

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

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

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

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2 of the CG Code.

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

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORDS OF DIRECTORS

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

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategic Committee	General Meeting[1]
Mr. Xiong Jun	11/11	–	4/4	2/2	1/1	2/2
Dr. Li Ning	11/11	–	4/4	–	1/1	2/2
Mr. Li Cong	11/11	–	–	–	–	2/2
Dr. Feng Hui	11/11	–	–	–	–	2/2
Mr. Zhang Zhuobing	11/11	–	–	–	–	2/2
Dr. Yao Sheng	11/11	–	–	–	–	2/2
Dr. Zou Jianjun (Appointed with effect from 29 June 2022)	5/5	–	–	–	–	–
Dr. Wu Hai	11/11	–	–	–	–	2/2
Mr. Tang Yi	11/11	4/4	–	–	–	2/2
Mr. Lin Lijun (Resigned with effect from 8 December 2022)	10/10	–	–	–	–	2/2
Dr. Chen Lieping (tendered resignation which is to take effect upon the appointment of a new Independent Non-executive Director)	11/11	–	–	–	1/1	2/2
Dr. Roy Steven Herbst	11/11	–	–	–	1/1	2/2
Mr. Qian Zhi	11/11	4/4	4/4	2/2	–	2/2
Mr. Zhang Chun	11/11	4/4	4/4	–	1/1	2/2
Dr. Feng Xiaoyuan	11/11	–	4/4	2/2	–	2/2

Note:

(1) During the Reporting Period, the Company convened two general meetings (including one annual general meeting and one extraordinary general meeting).

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

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

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

The Board had reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the staff qualifications, experiences, training programmes, budget and relevant resources of the Company's accounting, internal audit, financial reporting and ESG performance and reporting functions, and the Board considers them to be adequate.

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

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

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 177 to 178.

AUDITORS' REMUNERATION

The remuneration paid and payable to the external auditors of the Company in respect of audit services and non-audit services for the Reporting Period amounted to RMB3,270,000 and RMB1,412,000 respectively.

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

Service Category	**Fees Paid/Payable (RMB)**
Audit Services	3,270,000
– Annual Report	3,270,000
Non-audit Services	1,412,000
– Interim Report	1,030,000
– Consulting Service	382,000
	4,682,000

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

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

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

During the Reporting Period, Ms. Chen Yingge and Ms. Lai Siu Kuen have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training.

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels. The Shareholders' communication policy of the Company is made available on the Company's website. The Board has considered the Shareholders' communication policy of the Company and is satisfied that there are effective channels by which Shareholders can communicate with the Company.

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

Convening an Extraordinary General Meeting

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

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

CORPORATE GOVERNANCE REPORT

Putting Forward Proposals at Extraordinary General Meetings

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

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

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

Putting Forward Enquiries to the Board

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

Contact Details

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

For H Shareholders

Address: Tricor Investor Services Limited
17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
(For the attention of the Board of Directors/Company Secretary)
Fax: +852 2810 8185

For A Shareholders

Address: 16th Floor, Building 7, No. 6, Lane 100, Pingjiaqiao Road, Pudong New Area, Shanghai, China
(For the attention of the Board of Directors/Company Secretary)
Post Code: 200126
Fax: +86 021 6175 7377

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may call the Company at +86 021 6105 8800 for any assistance.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

During the Reporting Period, there was no amendment to the Articles of Association.

Policies relating to Shareholders

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

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of the CG Code and details are summarized as follows:

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

(1) cash;

(2) shares; and/or

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Whistle-blowing Policy (CG code D.2.6)

The Company has put in place whistleblowing policy which applies to all the directors and employees (including but not limited to permanent, full-time, part-time and contract employees, etc.) of the Group and any parties who deal with the Group (including but not limited to investors, customers, contractors, suppliers, creditors and debtors, etc.). The policy is designed to provide the employees and any external parties with confidential whistleblowing channels to report to the Group the actual or suspected illegal activities and misconducts in corporate financial reporting, internal control or other areas.

Anti-Corruption Policy (CG code D.2.7)

The Group does not tolerate any corruption, bribery, extortion, fraud or money laundering during the course of its business activities. As such, it has formulated an anti-corruption policy (the "**Anti-Corruption Policy**") which prohibits all forms of corruption practice by making reference to the relevant laws and regulations. The Anti-Corruption Policy forms an integral part of the Group's corporate governance framework, which sets out the specific behavioural guidelines that the employees of the Group must follow to combat corruption. The Anti-Corruption Policy is reviewed and updated on a regular basis to align with the applicable laws and regulations as well as the industry best practices.

Board Independent Mechanism (CG code B.1.4)

The Company has established a mechanism to ensure independent views and input are available to the Board. This is achieved by giving directors access to external independent professional advice from legal advisers and auditor, as well as the full attendance of all Independent Non-executive Directors at all the meetings of the Board and its relevant committees held during the Reporting Period. The Board reviews the implementation and effectiveness of the aforementioned mechanisms on an annual basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

- Reporting period

  From 1 January 2022 to 31 December 2022 ("**2022**").

- Reporting scope

  The scope of this report is consistent with the annual report, and the entities it covers are Shanghai Junshi Biosciences Co., Ltd.* ("**Junshi Biosciences**") and its entities within the scope of listing, including Suzhou Union Biopharm Co., Ltd.* ("**Suzhou Union**"), Shanghai Junshi Biotechnology Co., Ltd.* ("**Junshi Biotechnology**"), Suzhou Junmeng Biopharm Co., Ltd.* ("**Suzhou Junmeng**"), Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd.* ("**Jiangsu Union**"), Suzhou TopAlliance Biosciences Co., Ltd.* ("**Suzhou TopAlliance**"), Taizhou Junshi Biosciences Co., Ltd.* ("**Taizhou Junshi**"), Shenzhen Qianhai Junshi Hospital Investment Management Co., Ltd.* ("**Qianhai Junshi**"), Suzhou Junao Medicine Co., Ltd.* ("**Suzhou Junao**"), Beijing Union Biopharm Junshi Biosciences Co., Ltd.* ("**Beijing Union**"), Suzhou Junshi Biotechnology Co., Ltd.* ("**Suzhou Junshi Biotechnology**"), Suzhou Junyou Hospital Management Co., Ltd.* ("**Suzhou Junyou**"), Junshi Hong Kong Ltd.* ("**Hong Kong Junshi**"), TopAlliance Biosciences, Inc.* ("**TopAlliance**"), Suzhou Junao Cancer Hospital Co., Ltd.*, Junshi Biosciences (Hainan) Co., Ltd.*, Junshi Venture Capital (Hainan) Co., Ltd.*, Shanghai JunTop Biosciences Co., Ltd.*, JunTop Biosciences (Hainan) Co., Ltd.*, Shanghai Vinnerna Biosciences Co., Ltd.*, Wuxi Junhe Biomedical Technology Co., Ltd.*, Shanghai Junyituo Biomedical Technology Co., Ltd.*, Shanghai Juntuo Bioengineering Co., Ltd.*, Suzhou Junjing Biomedical Technology Co., Ltd.*, Shaanxi Junjing Med Biomedical Technology Co., Ltd.*, Wuxi Junshi Biomedical Technology Co., Ltd.* and Wuxi Runmin Pharmaceutical Technology Co., Ltd.*.

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

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

- Basis of preparation

  The Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**" or the "**Guide**") and its major amendments as set out in Appendix 27 of the Listing Rules. Junshi Biosciences has been in compliance with the "comply or explain" provisions as set out in the ESG Reporting Guide.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Index selection

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

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

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

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

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

- Source of data

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

- Form of publication

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. ABOUT JUNSHI BIOSCIENCES

Junshi Biosciences, an innovation-driven biopharmaceutical company founded in 2012, has all-round capabilities in innovative drug discovery and development, clinical research on a global scale, large-scale production capacity to commercialization on the full industry chain. The Company aims to provide patients with better efficacy and more cost-effective treatment options. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited in December 2018, and listed on the STAR Market of the Shanghai Stock Exchange in July 2020. With distinguished capability of innovative drug discovery, advanced biotechnological R&D, large-scale production capacity throughout the whole industry chain, and rapidly expanding drug candidate portfolio with tremendous market potential, we have a leading edge in the emerging field of immuno-oncology and for the treatment of autoimmune and metabolic diseases in China. Aiming to develop first-in-class or best-in-class drugs through original innovation, we have become a pioneer in the field of translational medicine. Our production capability covers the whole production process from drug R&D to commercialization: Self-development and external cooperation on a global scale is realized based on its early research in the R&D centers in the U.S. Bay Area, Maryland, Suzhou and Shanghai, while its commercialization process is optimized by its production bases in Wujiang, Suzhou and Lingang, Shanghai.

Our principal businesses are as follows:

- Shanghai Headquarters: R&D and evaluation of drug candidates, clinical trial, drug registration and commercialization;
- Suzhou Union: operation of the Wujiang Production Base and the commercialization of drug candidates, and it has obtained GMP certification;
- Junshi Biotechnology: R&D and operation of the Lingang Production Base in Shanghai, and it has obtained the Pharmaceutical Production License and passed the GMP compliance inspection;
- TopAlliance: innovation of monoclonal antibody and development of efficient screening platform; development and engineering of recombinant antibody and TNFR-Fc antibody, and related technological service.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a young and innovative biopharmaceutical company, our mission is to address unmet clinical needs and ensure people's access to medical care, for which we continuously promote the development and growth of the Company. In 2022, the Company realized a total operating income of RMB1,453 million.

Operating Performance in 2022

- During the Reporting Period, the Company continuously enriched its product pipeline and continued to explore drug combination therapy. As of the date of this report, the Company has four products in the commercialization stage (TUOYI®, JUNMAIKANG®, MINDEWEI and etesevimab), around 30 assets in the clinical trial stage (amongst which, ongericimab, bevacizumab and PARP inhibitor are undergoing Phase III pivotal registered clinical trials), and over 20 drug candidates are at the pre-clinical drug development stage.
- Total operating income of the Company reached RMB1,453 million, and its R&D expenses amounted to RMB2,384 million. The continuous investment in R&D expenses has strongly supported the R&D for the innovative drugs projects of the Company.
- MINDEWEI (VV116/JT001), the Company's domestic oral nucleoside analog anti-SARS-CoV-2 Category 1 innovative drug for the treatment of adult patients with mild to moderate COVID-19 has been conditionally approved by the NMPA, contributing to the safety and health of the people.
- The first indication of TUOYI® (toripalimab injection), the Company's core product, in the field of lung cancer treatment was approved by NMPA, which was the sixth indication of the product approved in China, bringing patients with advanced non-small cell lung cancer more treatment options and better survival benefits. The sNDA for TUOYI® in combination with paclitaxel and cisplatin for the first-line treatment of patients with unresectable locally advanced/recurrent or distant metastatic ESCC has also been approved by NMPA.
- The Company's product JUNMAIKANG® (adalimumab injection) has been approved for eight indications in China, which will provide more treatments options for a wider range of patients with autoimmune diseases, including disease-specific adults or children.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Major rewards in 2022:

  - In **January 2022**, the Company was honored as one of the "2021 Top 10 R&D Innovative Pharmaceutical Listed Companies in China" by E Medicine Manager* (E藥經理人).

  - In **February 2022**, the Company's product, etesevimab (JS016), was awarded the "Star of Product Innovation Vitality" by Sailing Health Jianshiju* (健識局).

  - In **March 2022**, the Company was granted the "2021 Social Responsibility Award for Health Communication" by Guangzhou Daily* (廣州日報).

  - In **April 2022**, the Company was awarded the "Suzhou May 1st Labor Award" by Suzhou Federation of Trade Unions* (蘇州市總工會).

  - In **June 2022**, the Company was rated as "Leading Power • China Pharmaceutical High-quality Development Achievement Enterprise (2021)" by Medical Economic News; and its product toripalimab was rated as "Leading Power • China Pharmaceutical High-quality Development Achievement Brand (2021)".

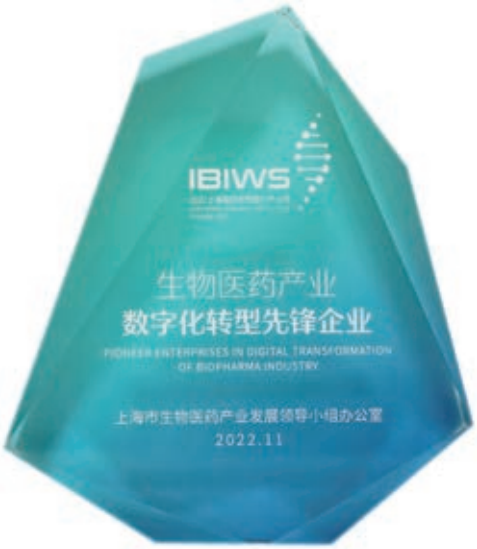
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- In **July 2022**, the Company was awarded the "2021-2022 Hexun SGI Science and Technology Award for Overseas Pioneer" by Hexun* (和訊).

- In **September 2022**, the Company was rated as "TOP100 First-tier China Pharmaceutical Innovation Enterprise in 2022" by E Medicine Manager* (E藥經理人).

- In **November 2022**, the Company was rated as one of the "Pioneer Enterprises in Digital Transformation of Biopharma Industry in 2022" by the Office of Shanghai Biomedical Industry Development Leading Team; was rated as "Golden Bridge Award 2022 Medical and Health Company with Innovative Empowerment and High-quality Development" by Investor China; and won the "2021 Pudong New Area Outstanding Contributions to Economy Award" issued by the People's Government of Shanghai Pudong New Area.

- In **December 2022**, the Company was rated as "Innovative Enterprise of the Year" at ifeng.com (鳳凰網) 2022 International Greater Health Summit; was awarded as "Leading Enterprise of Digital Transformation Industry Value" by the Economic Observer* (經濟觀察報); and won the "Best ESG Award of the 7th Zhitong Finance Listed Company Selection" issued by Zhitong Finance* (智通財經).



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. KEY ISSUES: MINDEWEI, DOMESTIC ORAL ANTI-SARS-COV-2 CATEGORY 1 INNOVATIVE DRUG, APPROVED FOR MARKETING

MINDEWEI (Deuremidevir Hydrobromide Tablets) (code: VV116/JT001) is a new oral nucleoside analog antiviral drug, which can be non-covalently bound to the active center of RNA-dependent RdRp of SARS-CoV-2 in the form of nucleoside triphosphate, directly inhibiting the activity of RdRp of the virus and blocking the replication of virus, thus realizing the antiviral effect. Preclinical studies have shown that MINDEWEI exhibited significant antiviral effects against both the original SARS-CoV-2 strain and mutant strains, including Omicron, and exhibited no genetic toxicity. MINDEWEI was jointly developed by Shanghai Institute of Materia Medica, Chinese Academy of Sciences, Wuhan Institute of Virology, Chinese Academy of Sciences, Xinjiang Technical Institute of Physics and Chemistry, Chinese Academy of Sciences, Central Asian Center of Drug Discovery and Development of Chinese Academy of Sciences/China-Uzbekistan Medicine Technical Park (the Belt and Road Joint Laboratory of the Ministry of Science and Technology), Lingang Laboratory, Suzhou Vigonvita Biomedical Co., Ltd. ("**Vigonvita**") and the Company. As a typical representative of "R&D in Zhangjiang + Manufacturing in Shanghai", this product embodies the belief and efforts of relevant departments, scientific research teams, medical practitioners, patients and local innovative pharmaceutical companies in China.

R&D History

In January 2020, the Shanghai Institute of Materia Medica, Chinese Academy of Sciences immediately established a joint research team, and cooperated closely with the Wuhan Institute of Virology, Chinese Academy of Sciences to commence emergency R&D. The team led by Shen Jingshan/Jiang Hualiang from the Shanghai Institute of Materia Medica, Chinese Academy of Sciences, the team led by Xiao Gengfu from the Wuhan Institute of Virology, the team led by Aji Aikebaier Aisa from the Xinjiang Technical Institute of Physics & Chemistry, and Vigonvita quickly discovered and evaluated MINDEWEI, the oral nucleoside candidate compounds targeting RdRp.

In October 2021, the Company reached a cooperation with Vigonvita to jointly undertake the clinical development and industrialization of MINDEWEI within the cooperation territory (global scope except the five Central Asian countries, Russia, North Africa and the Middle East).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In November 2021, MINDEWEI was approved to undergo clinical trials. During the next year or so, the R&D team of MINDEWEI quickly advanced the project and solved problems efficiently.

In December 2021, MINDEWEI was approved in Uzbekistan (non-cooperative territory) for the treatment of moderate to severe COVID-19 patients.


The NEW ENGLAND JOURNAL of MEDICINE

ORIGINAL ARTICLE

VV116 versus Nirmatrelvir–Ritonavir for Oral Treatment of Covid-19

Z. Cao, W. Gao, H. Bao, H. Feng, S. Mei, P. Chen, Yueqiu Gao, Z. Cui, Q. Zhang, X. Meng, H. Gui, W. Wang, Y. Jiang, Z. Song, Y. Shi, J. Sun, Y. Zhang, Q. Xie, Y. Xu, G. Ning, Yuan Gao, and R. Zhao

On 29 December 2022 (Beijing time), the global authoritative journal *The New England Journal of Medicine,* (*NEJM*, IF: 176.082) published online the results of a Phase III clinical study (NCT05341609) of VV116 (MINDEWEI) versus nirmatrelvir tablet/ritonavir tablet (PAXLOVID) for the early treatment of patients with mild to moderate COVID-19 who are at high risk for progression to severe COVID-19, including death. It is the first time that NEJM published the clinical trial results of a Chinese-developed innovative drug for the treatment of COVID-19, demonstrating that the clinical development of drugs jointly led by Chinese experts and Chinese pharmaceutical companies has been highly recognized by the international academic community in terms of research design, research quality and research results. The results showed that the primary endpoint of the study met the designed non-inferiority endpoint, and that compared with the PAXLOVID group, the clinical recovery time of the MINDEWEI group was shorter, and MINDEWEI showed fewer safety concerns.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

On 28 January 2023, the marketing of MINDEWEI for the treatment of adult patients with mild to moderate COVID-19 has been conditionally approved by the NMPA. This approval was mainly based on a multi-center, double-blind, randomized, placebo-controlled phase III clinical study (NCT05582629) to evaluate the efficacy and safety of MINDEWEI among mild to moderate COVID-19 patients with or without high risk for progression to severe COVID-19 led by academician Li Lanjuan, director of the State Key Laboratory for Diagnosis & Treatment of Infectious Diseases (Zhejiang University) as primary researcher. The primary endpoint of the study was the time from the first administration to sustained clinical symptoms resolution, while the secondary endpoints included time to sustained clinical symptoms alleviation, proportion of patients with disease progression through day 28, changes of SARS-CoV-2 nucleic acid and viral load, and safety, etc. The study results showed that, as of the data cut-off date of the interim analysis, among 1,277 randomized and treated subjects, compared with placebo, the primary endpoint from the first administration to sustained clinical symptoms resolution (the score of 11 COVID-19 related clinical symptom =0 and lasted for two days) of MINDEWEI was significantly shortened, the median time difference was two days; the time to sustained clinical symptoms alleviation was significantly shortened, the change of viral load from baseline and other virological indicators were better than those of the placebo group. The Company is hoping to provide better and safer treatment options for COVID-19 patients in China and around the world with this new therapy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In February 2023, the first prescription of MINDEWEI was issued in the Affiliated Pudong Hospital of Fudan University, marking the official clinical use of this domestic anti-SARS-CoV-2 drug in China.

The birth of MINDEWEI fully demonstrates the strong R&D capabilities of Junshi Biosciences and its innovative spirit of daring to challenge and make breakthroughs in the face of global public health events. With its good curative effect and safety performance, wide beneficiary population, and taking into account the advantages of oral drugs including convenient administration, high drug resistance barrier, and less transportation and storage restrictions, MINDEWEI is expected to become one of the first-line drugs for the treatment of COVID-19, providing better and safer treatment options for patients with COVID-19 at home and abroad.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. CORPORATE GOVERNANCE

The Company complies with the requirements of the laws and regulations and regulatory documents such as the Company Law of the PRC, the Securities Law of the PRC, the Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange, the CG Code, and the Articles of Association to conduct its corporate governance. The highest decision-making body is the shareholders' meeting. The Board of Directors has decision-making power, and executes the mission of the Shareholders' meeting. The general manager executes the decision of the Board of Directors and is responsible for corporate management. There are four committees under the Board of Directors: the Audit Committee, the Nomination Committee, the Strategic Committee and the Remuneration Committee. "Terms of Reference of the Audit Committee", "Terms of Reference of the Nomination and Appraisal Committee", "Terms of Reference of the Strategic Committee" and "Terms of Reference of the Remuneration and Appraisal Committee" have been formulated correspondingly and they play important roles in risk prevention and control, and corporate decision-making process. The Company has always taken a responsible approach to improve operational efficiency and corporate competitiveness, in order to protect Shareholders' rights and increase company value.

We attach great importance to the commitment to corporate social responsibility and are committed to working with stakeholders to create sustainable value in terms of environmental, social and economic levels. The Board of Directors participated in environmental, social and governance related work and is responsible for the Company's strategy deployment and supervision of strategy implementation. In the process of formulating strategic planning, the Company takes full account of the strategy of social responsibility. It also pays attention to the risks related to environment, society and governance in the assessment of internal and external risks in the business operating process, and develops corresponding coping strategies. In order to actively respond to the national "3060" double carbon target and promote sustainable development, the Company plans to adjust its electricity consumption behavior and power consumption mode as required, and actively consume clean energy. At the same time, employees are encouraged to act consciously to cultivate a green and low-carbon lifestyle.

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

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

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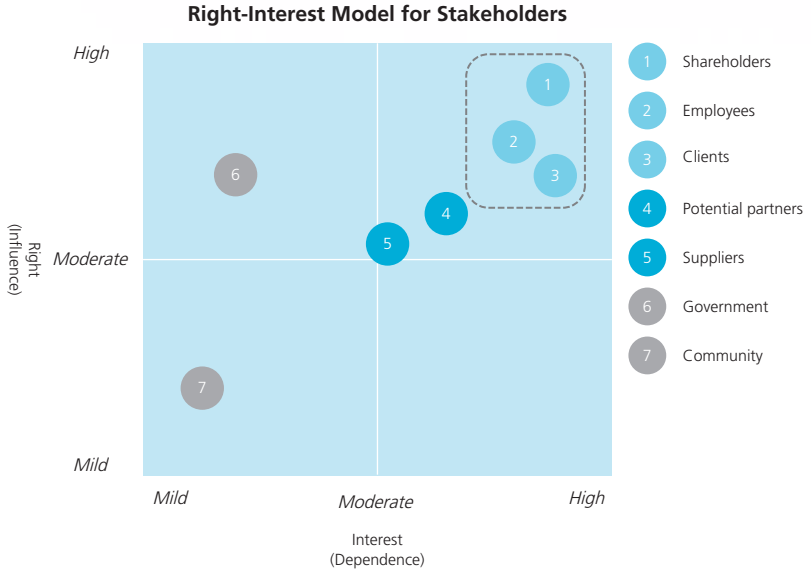
IV. SUBSTANTIVE ISSUE ANALYSIS

This report will focus on the substantive issues that are of concern to the stakeholders. In order to better understand the demands and concerns of the stakeholders, we analyzed their rights and interests, and identified the important stakeholders of the Company. On this basis, the Company analyzed and selected the interests and demands of the stakeholders, and finally identified 17 important substantive issues.

1. Identification and Analysis of Stakeholders

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



Right-interest model for Junshi Biosciences' stakeholders

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

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2. Screening of Substantive Issues

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

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

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

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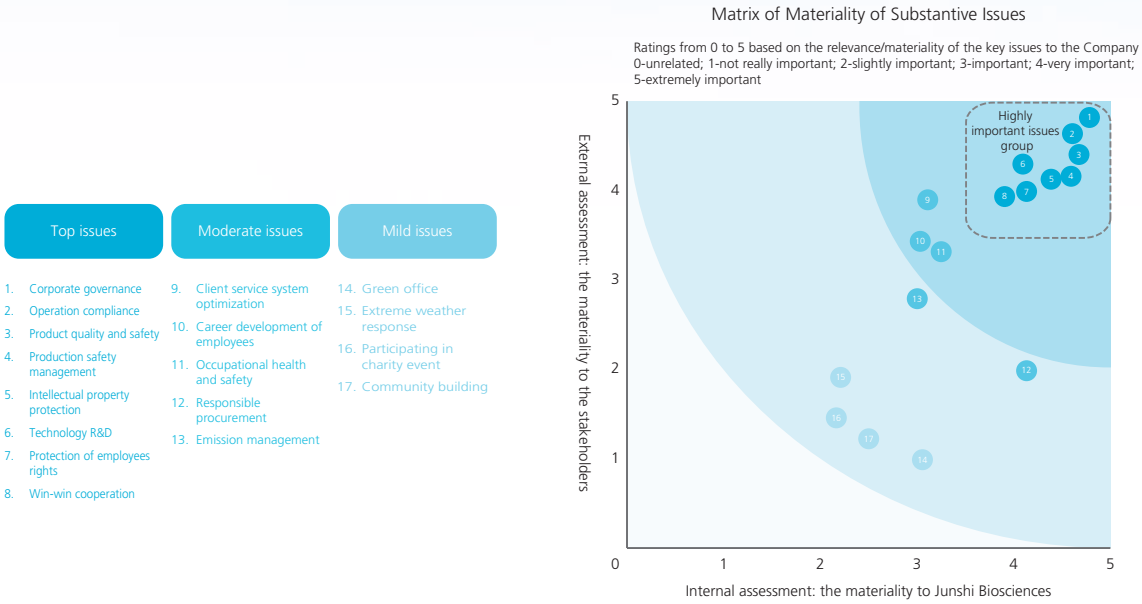
3. Evaluation and Confirmation of Substantive Issues

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



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

V. OPERATION COMPLIANCE FOR SUSTAINABLE GROWTH

Junshi Biosciences is committed to establishing a high-level compliance system, strictly abides by the relevant national laws and regulations and the pharmaceutical industry regulatory policies, persists in promoting and implementing the corporate culture of operation compliance, and advocates the compliance principle as well as business and personal ethics from top to bottom. We have established a whole-process compliance operation system for pre-event, in-process, and post-event practice, which covers reasonable pre-event approval, objective business confirmation, compliant in-process guidance, and comprehensive post-event review, and ensured operation compliance of the Company through the cooperation of different departments. We have also issued comprehensive compliance operation policies and constantly optimize the compliance requirements in the process of operation. We have set up management policies involving anti-fraud, meeting communications and exchange, information disclosure, investor relations management, etc. to ensure that the Company is always in a healthy and compliant operating environment. There was no significant non-compliance case in 2022.

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1. Anti-fraud and Compliance Operation

We always adhere to the highest standards of business ethics, comply with medical and ethical guidelines and laws and regulations such as the Law of the People's Republic of China against Unfair Competition and the Interim Provisions on the Prohibition of Commercial Bribery, and maintain a zero-tolerance attitude towards corrupt practices and commercial briberies. We have stipulated in the Articles of Association that our Directors, Supervisors and senior management must abide by the principle of good faith and fulfil their loyalty obligations, and must not abuse their power, accept bribes and misappropriating company funds. All of our employees have signed the Code of Business Conduct and Ethics and promised to adhere to compliance operation. In 2022, we have also established the Project Construction Management System and Project Department Seal Management System to ensure the quality of project construction along with the regulation of possible fraud in projects.

We also included supplier integrity and integrity management provisions in the Supplier Management Procedures, requiring all our suppliers to sign the integrity and compliance agreement and supervising their conducts on an ongoing basis. We have formulated the Measures for Handling Employee Non-compliance Cases to specify the handling measures for different kinds of violations, so as to regulate employee behavior, and conduct compliance checks on promotional and non-promotional activities every month to ensure compliance operation of the Company. In addition, we publish a notice of integrity and self-discipline to all employees through the Company's intranet every month, and continuously hold various compliance training sessions for all employees every quarter to publicize the Company's compliance culture and policies, and enhance the integrity of employees and curb corruption through case study to rectify corruption behaviors. Every year, we also invite law firms to conduct targeted anti-corruption compliance training for Directors, Supervisors and the senior management.

We also encourage employees and all parties having direct or indirect economic relationship with the Company to report confirmed or suspected fraud or violations of professional ethics by employees through reporting hotline, email, mail, etc. If a report is received, the Company will arrange for the relevant business departments to verify and follow up and deal with it strictly. In 2022, the Company was not involved in corruption or bribery.

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2. Meeting and Communication Compliance

We have established the Meeting Compliance Management System to clarify the requirements relating to the location, venue, travel, brand reminder of meetings held by Junshi Biosciences and related expenses of meetings held by third parties; where there are more stringent policies, our employees shall abide by the more stringent requirements. In addition, in order to regulate the exchange of information with external institutions and personnel regarding the information of the Company and its products, provision of scientific, R&D and educational information and interactive activities to support medical research and education, we have also formulated operational procedures such as the Interaction with External Institutions and Personnel and the Restriction Standards on Interacting with External Institutions and Personnel to set out the principles of objectivity, independence, transparency that relevant personnel participating in the communication activities shall follow, and the management requirements of the specific process.

In 2022, we revised the Marketing Department Expense Management System according to our business changes, which reinforced the management and control of new business models, and further strengthened the management and control of marketing meetings. Besides, we also revised the Lecturer Rating Standard SOP to further standardize the qualification requirements and internal review process for lecturers, and strengthen the management and control of new lecturers and ratings.

3. Information Disclosure Compliance

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

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

We have designated the website of the Hong Kong Stock Exchange (www.hkex.com.hk), the website of the Shanghai Stock Exchange (www.sse.com.cn), the official website of the Company (www.junshipharma.com), *the China Securities Journal*, *the Shanghai Securities News*, *the Securities Times* and *the Securities Daily* as the media and platforms to publish the Company's announcements and other information requiring disclosure.

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4. Protection of Investors' Interests

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

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

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

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

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VI. INNOVATION & R&D

Innovation is the key to survival for any pharmaceutical enterprise. Since the establishment of Junshi Biosciences, it has been upholding the principle of "Adhere to Innovation-driven R&D". We have established a strong R&D team and cooperated with leading enterprises in the industry to address unmet clinical needs across the world. We set up a R&D center in the U.S. at the early stage of the Company's establishment, absorbing and integrating overseas R&D technology to further enhance the Company's R&D strength. The Company's R&D innovation field has extended from the monoclonal antibody drugs since its establishment to, among others, small molecule drugs, polypeptide drugs, antibody drug conjugates (ADCs), bi-specific or multi-specific antibodies and nucleic acid drugs, as well as the exploration of the next-generation innovative therapies for cancer and autoimmune diseases. It has gradually become a company with a multi-dimensional R&D system. In addition, the Company is committed to protecting intellectual property. It has taken a series of measures to protect its R&D achievements and patents to accelerate technology accumulation and product upgrading.

1. R&D Capability

- ***R&D team***

  As a research-intensive enterprise, we believe that constant innovation is the power source for a company's sustained development. The Company increases its R&D investment used for clinical trials and talent attraction every year. In 2022, the Company's R&D expenses were RMB2,384 million, representing a year-on-year increase of 15.26%, the constant investment in which strongly supported the R&D for the innovative drugs projects of the Company.

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

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2. R&D Progress and Achievements

- ***Ongoing projects and achievements***

  In 2022, the product pipelines of the Company comprised more than 50 assets under clinical trials and covered five major therapeutic areas. Many of our drug candidates also made substantive progress.

- ***R&D achievement sharing***

  In 2022, we continued to share our research progress in the industry, with a number of research results published in international authoritative academic journals and academic conferences.

  - **The national launch conference of toripalimab as a first-line treatment for NPC was held in Guangzhou**

    In January 2022, the national launch conference of toripalimab as a first-line treatment for NPC was successfully held in Guangzhou. Many experts and scholars in the field of nasopharyngeal carcinoma and head and neck tumors from the Chinese Society of Clinical Oncology (CSCO) attended the conference to celebrate the launch of toripalimab as a first-line treatment for NPC. As the first immunity checkpoint inhibitor approved for the treatment of NPC in the world, toripalimab has achieved a breakthrough from zero in immunotherapy in the field of treatment of NPC, bringing a cutting-edge immuno-oncology therapy to patients in this field, and supporting domestic innovative achievements to benefit the Chinese people, and it has also led the development of diagnosis and treatment of NPC in the world.

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- **The research results of MINDEWEI (JT001-010) were published in *the New England Journal of Medicine***

On 29 December 2022 (Beijing time), the global authoritative journal *The New England Journal of Medicine*, (*NEJM*, IF: 176.082) published online the results of a Phase III clinical study (NCT05341609) of VV116 (MINDEWEI) versus nirmatrelvir tablet/ritonavir tablet (PAXLOVID) for the early treatment of patients with mild to moderate COVID-19 who are at high risk for progression to severe COVID-19, including death. It is the first time that NEJM published the clinical trial results of a Chinese-developed innovative drug for the treatment of COVID-19, demonstrating that the clinical development of drugs jointly led by Chinese experts and Chinese pharmaceutical companies has been highly recognized by the international academic community in terms of research design, research quality and research results. The results showed that the primary endpoint of the study met the designed non-inferiority endpoint, and that compared with the PAXLOVID group, the clinical recovery time of the MINDEWEI group was shorter, and MINDEWEI showed fewer safety concerns.

- **The results of the JUPITER-06 study were published in *Cancer Cell*, an authoritative academic journal**

In March 2022, the results of the JUPITER-06 study led by Professor Xu Ruihua from the Sun Yat-sen University Cancer Center were published in *Cancer Cell* (IF: 31.734), an authoritative academic journal of Cell Press. Research results showed that, compared with the placebo in combination with chemotherapy, toripalimab in combination with TP chemotherapy (paclitaxel and cisplatin) for the first-line treatment of patients with advanced or metastatic ESCC can significantly improve the PFS and the OS of patients, and regardless of their PD-L1 expression, the combination regimen was effective and significantly improved the ORR and the DCR with manageable safety, offering a new first-line treatment regimen for the treatment of advanced ESCC.

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- **New research results on toripalimab in the treatment of NPC were announced at the annual meeting of the American Association for Cancer Research (AACR 2022)**

At the 113th annual meeting of the American Association for Cancer Research (AACR), in April 2022, we also announced our latest research results. In particular, the analysis results of the study endpoint (namely PFS and median OS) of Phase III clinical research of toripalimab in combination with chemotherapy for first-line treatment of recurrent or metastatic NPC (RM NPC) versus placebo (JUPITER-02 study) led by Professor Xu Ruihua from the Sun Yat-sen University Cancer Center were updated and presented by way of poster presentations (No.: CT226). Research results showed that, compared with the placebo in combination with chemotherapy group, the median PFS of toripalimab in combination with chemotherapy group was significantly extended, which was 21.4 months and 8.2 months, respectively, extended by 13.2 months. Toripalimab in combination with chemotherapy could reduce the risk of disease progression or death by 48%.

- **A number of research results were announced at the annual meeting of the American Society of Clinical Oncology (ASCO 2022)**

In June 2022, the ASCO annual meeting was held in Chicago, the United States. As one of the most authoritative academic conferences in the field of oncology in the world, cutting-edge research results in the field of oncology are released at the ASCO annual meeting every year. Almost 40 results of multi-tumor studies in relation to the two tumor immunotherapy drugs independently developed by the Company, including the anti-PD-1 monoclonal antibody toripalimab and the anti-BTLA monoclonal antibody ticatolimab (TAB004/JS004), were released at the ASCO annual meeting, which aroused extensive attention.

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- **New research results on an anti-BTLA monoclonal antibody were announced at the annual meeting of the American Society of Hematology (ASH 2022)**

  In December 2022, at the annual meeting of the 64th American Society of Hematology (ASH 2022), the preliminary data of Phase I clinical trial of tifcemalimab (TAB004/JS004), the world's first anti-tumor anti-BTLA monoclonal antibody that entered the clinical stage and independently developed by the Company, in patients with relapsed or refractory lymphoma was updated through a poster presentation (#1613). Preliminary study results show that tifcemalimabis well tolerated at all doses evaluated.

3. Intellectual Property

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

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

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

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

As at the end of the Reporting Period, the Company owned 121 licensed patents, of which 94 were domestic patents and 27 were overseas patents.

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VII. IN PURSUIT OF QUALITY-FIRST POLICY

Quality is fundamental for medicines to benefit patients. Adhering to the attitude of always being responsible for patients, Junshi Biosciences places strict control on product quality from the supply chain to production. To this end, we have established a comprehensive quality management system and continue to improve our supplier management system to ensure that our qualified suppliers meet the requirements of policies and regulations in terms of business reputation, green & environmental protection, professional and technical capabilities and other aspects. At the same time, we continue to expand our sales team and improve customer service, so as to continuously improve customer satisfaction.

1. Quality Management

- ***Strict quality control***

  We attach great importance to product quality, uphold the policy of "quality first, respect lives, continuous innovation, and pursuit of excellence", and strictly abide by the Drug Administration Law of the PRC, the Pharmaceutical Clinical Trials Quality Management Practices, the Pharmaceutical Manufacturing Quality Management Practices, the Measures for the Reporting and Monitoring of Adverse Drug Reactions and other PRC regulations, as well as the requirements of the European Union Pharmaceutical Administration Regulations, the U.S. Federal Regulations and the Tripartite Coordination Guidelines of the International Coordination Conference for the Registration of Technical Requirements for Human Drugs. In addition, in response to the Regulation on the Administration of Annual Reports on Drugs issued and implemented in April 2022, the Pharmaceutical Manufacturing Quality Management Practices – Drugs for Clinical Trials (Trial Implementation) Appendix issued in May 2022 and the Provisions on the Supervision and Administration of the Fulfillment of Medicinal Product Quality and Safety Responsibilities by Holders of Marketing Authorization for Medicinal Products issued in December 2022, we have also further regulated our quality management work in accordance with the relevant regulations.

  We have formulated the Quality Manual in accordance with the above laws and regulations as the highest quality management programmatic document of the Company to clarify the quality requirements in the quality management system, quality control system, production system and other aspects, as well as the management responsibilities of various quality-related departments. In 2022, we added the translation process and quality requirements for documents related to pharmaceutical manufacturing GMP activities to ensure that the translation is complete and accurate; added management of the life cycle of entrusted sales to ensure that the entrusted sales and product quality can meet the prevailing regulations and the parties to entrusting; added a quality-related authorized person management system according to the national laws and regulations in relation to pharmaceutical management to strengthen the management on quality-related authorized persons, ensure the quality and safety of drugs released on the market, and safeguard the legitimate rights and interests of the Company.

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During the production process, the quality control department participates in the whole process and conducts regular inspections to monitor and adjusts the production process to ensure that our products meet the relevant quality standards, and collects product samples and conducts sample tests to determine whether they meet the quality standards. For finished products, each batch of finished products will be inspected by the quality control team before delivery, and released for sale only after it is confirmed to be qualified.

We carry out quality training and assessment for employees on a regular basis according to GMP standards, and assign employees to participate in specialized training organized by external industry organizations and government departments, so as to ensure employees' continuous improvement in GMP knowledge and job skills, and then constantly ensure product quality. In 2022, we further strengthened the knowledge training of GMP regulations in other countries and alliances (such as the United States, European Union, etc.), and have carried out a total of 17 training sessions on relevant regulations. The training topics covered the Marketing Authorization Holder system, ICH Q5A, the Drugs for Clinical Trials (Trial Implementation) Appendix, supervision and challenges across the entire life cycle of pharmaceutical products, etc., to ensure that employees continue to improve their GMP knowledge and work skills, and in turn continue to ensure product quality.

- ***Professional quality team***

  As at the end of the Reporting Period, the Company and its subsidiaries had a quality management team of about 300 employees, consisting of the Quality Management Center (Compliance Supervision Department, Quality Operation Department and Quality Management Department) under the Company's unified leadership and the quality teams at production bases (Quality Assurance Department, Quality Control Department and Verification Department), which adheres to the concept of producing safe, effective and high-quality products for the worry-free use by themselves and their families.

  Quality is fundamental for medicines to benefit patients. From development, clinic trial to marketing, the entire life cycle of pharmaceutical products needs to be advanced under the strict control of the quality management system. The Company has developed a vertical quality management system and an internal audit system, and the Quality Management Center at the headquarters and the quality teams at two production bases have jointly formed a quality management team. As the first entity in China to obtain the Marketing Authorization Holder (MAH) certificate, the Company has established the "Double Guarantee" quality system under the MAH system which covers the management of the entire product life cycle. Our quality management system unique in that the Company has established a quality system covering the entire life cycle in parallel with the international standards relying upon its strong quality culture, which guides and supervises the quality management of R&D and production subsidiaries, and ensures that the quality of its products throughout R&D, production, inspection, release, sales and transportation is under control and meets the law and regulation requirements.

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Electronic management is one of the most effective means to ensure data integrity and traceability, and it also conforms to the future trend of the pharmaceutical industry. In order to continuously optimize and improve the efficiency of quality management, the Quality Management Center of the Company has jointly launched and implemented the Electronic Quality System (EQS) in collaboration with the quality teams at the two production bases since 2020. At present, the system has become a powerful tool to ensure the production of pharmaceutical products complies with regulations and standards:

- Unified electronic quality management system
- Unified quality management process
- Quality data integration
- Reduction of human errors and paper record

The EQS comprises four GMP-related electronic systems, i.e. the Quality Management System (QMS), the Training Management System (TMS), the Documentation Management System (DMS) and the Laboratory Information Management System (LIMS). A unified quality management platform can serve as a better link to all quality processes, make information transparent, and facilitate timely search and access to the sources.

Thanks to the "Double Guarantee" quality system and EOS under the Company's MAH system, our quality management team can better meet the business and commercial needs of the Company, and help the Company smoothly pass various major inspections and verifications. Since 2018, the quality management team of the Company has successively assisted the Company to complete the production inspections of commercial products toripalimab and adalimumab, and successfully completed GMP certification.

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Junshi Biosciences is positioned itself as a world-class biopharmaceutical company, and its production quality management concept also aims at going global. The quality management team is deeply involved in the steady expansion of the global commercialization layout of the Company, and fully engages the whole team to help the Company better meet the various commercialization and marketing inspections of overseas regulatory authorities.

Since 2021, Junshi Biosciences has successively submitted marketing applications for its toripalimab in the United States, the European Union and the United Kingdom. In addition to the reviews relating to clinical trials, the on-site inspections on the production bases of products by overseas regulators is also a "big test". In view of the differences in production processes and management methods between China and other countries such as the United States, the quality team of the Company took the lead in analyzing the differences in terms of technology, production, quality management and other aspects, and devoted extensive time and manpower in improvement and optimization.

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At the end of 2021, the FDA informed that a round of Remote Interactive Evaluations (RIE) would be carried out before the formal on-site inspection. The whole quality team acted in concert with the production, process and warehousing, information technology and other departments, which were immediately "on a war-footing". Even during the Spring Festival holiday, they were stationed in the production bases and conducted simulation drills over and over again until the formal RIE was completed. The successful completion of RIE has added confidence to Junshi Biosciences in innovative biopharmaceutical "Made in China". Facing the next round going global challenge, the quality personnel of the Company are well prepared for the inspection front line at any time.

2. Customer Service

- ***Responsible marketing***

We pay attention to the construction of the marketing system, and regulate our marketing activities by formulating a series of internal policies such as the Marketing Department Expense Management System and with reference to process supervision and post-event audit. We have established a specialized sales team responsible for commercializing toripalimab and other drug candidates. Each functional team member under the commercialization department has extensive experience in the promotion and commercialization of innovative drugs and oncology field drugs. Among them, the regional sales directors of the domestic sales team have worked in transnational pharmaceutical companies, and have over ten years of experience in the promotion of innovative anti-tumor drugs. They were responsible for the most widely used anti-tumor drugs in the world, including gefitinib, sorafenib, bevacizumab and rituximab. We focus on the management and training of the entire commercialization team. In 2022, we achieved that 100% of the commercialization team members participated in responsible marketing training, and at the same time further streamlined the structure of the sales team and reduced the number of executive officers and management personnel, so as to facilitate the implementation of various management and sales strategies of the Company with better efficiently.

In the choice of sales channels, we focus on the qualifications and reputation of distributors in the industry and the level that target hospitals and end customers match with us.

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- ***Customer privacy protection & complaint management mechanism***

We pay attention to protecting the rights and interests of customers, and have actively established various channels for communication with customers. In terms of the protection of customer privacy, we have formulated the standard operating procedures in the Interaction with External Organizations and Personnel to define the scope of privacy and confidentiality, and required the Company's employees to strictly protect customer privacy in accordance with the system requirements. The compliance department strengthens daily supervision and inspection. As soon as any behaviour that leaks customer privacy is identified, it will be dealt with seriously to effectively protect the rights and interests of customers.

We strictly followed the national requirements on biosecurity. In accordance with the Biosecurity Law of the PRC and the Personal Information Protection Law of the PRC, we continued to strengthen supporting management to develop a compliance system that can adapt to future regulatory trends. In particular, for the management of human genetic resources, illegal collection, illegal sharing and unauthorized cross-border transfer of such resources are strictly prohibited. We also regulated personal information processing activities to protect sensitive personal information involving biometrics, medical and health, etc.

For customer information communication and feedback, we formulated the Customer Complaint Management Standard Operating Procedures and the Drug Adverse Reaction Management Standard Operating Procedures, and established an adverse reaction monitoring system to closely monitor customers' experience with our products. The Company's employees, partners or any third-party personnel representing Junshi must report information about product safety through the product hotline, the adverse event reporting page at the official website of the Company, or the adverse event reporting mailbox of the Company within 24 hours of being informed of relevant information. The drug department shall process and evaluate the received safety information, conduct follow-up for missing or important updated information, and report ADRs to the ADR Monitoring Center on time. For death cases or mass adverse events or a cluster of events, an investigation mechanism has been established to complete the investigation report as required and report to the corresponding drug regulatory department and ADR monitoring authority. In 2022, none of the Company's products received quality-related complaints.

Junshi Biosciences Online Adverse Event Reporting Platform

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- ***Product recall mechanism***

  We care about drug safety, and have formulated the Drug Recall Management Standard Operating Procedures and the Product Returns Management Standard Operating Procedures to regulate the management procedures in relation to product returns and recalls. We also conducted whole-process product recall trainings to ensure the operational effectiveness of the product recall mechanism. In 2022, there was no recall on the Company's products due to safety and health reasons.

Product recall process flow chart

3. Supplier Management

Standardizing and strengthening supplier management can create a positive competition environment for the Company, reduce procurement risks, and maximize the comprehensive benefits of procurement quality, cost, service and efficiency. We formulated the Supplier Management Procedures, the Procurement Standard Management Procedures, the Outsourcing and Management of Clinical Services, and other procurement and supplier management systems, regulated procurement application, payment, acceptance and other processes, and specified the evaluation and selection criteria for different types of suppliers, dynamic management and information archive management requirements. We also launched the Enterprise Resources Planning system to support the scientific and efficient management of the whole process of procurement through the system while perfecting the system.

In 2022, in order to further regulate procurement, strengthen management and supervision of suppliers, and make procurement process standardized, professional and transparent, we updated the Supplier and Procurement Management SOP, the Supplier Management Process, the Procurement Management Process and other procurement and supplier management systems. The updates included sorting out and updating the procurement process and supplier application process; procurement management of subsidiaries; the tendering and bidding guidelines of the Company; signing of confidentiality agreements, etc. Through compliance management on supplier access, continuous evaluation, integrity management, procurement price quotation and comparison, contract review, receipt and payment application and other aspects, the smooth progress of company operations and project construction can be guaranteed. In July 2022, we also restructured the procurement center of the Company by integrating the procurement departments of all subsidiaries into the procurement center of the Company, in order to make institutions and personnel more concentrated, and minimized procurement and management costs. As at the end of the Reporting Period, we had 2,681 major suppliers, and 93% of them were from mainland China. We encourage the use of local suppliers first to promote local employment, technology and economic development.

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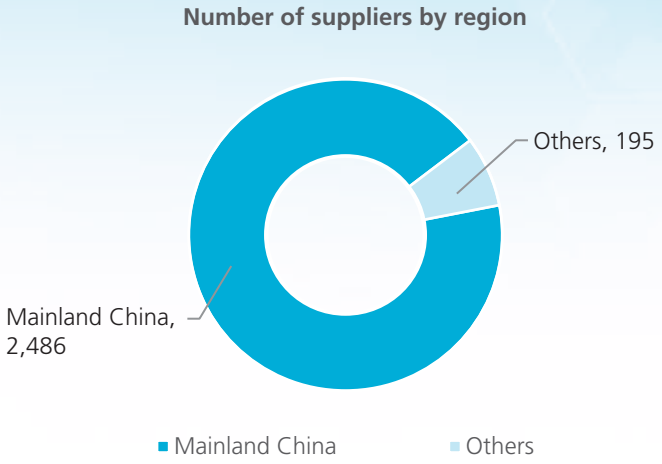

We adhere to the principle of "strict access, quantitative evaluation, fault elimination, and dynamic management" on all suppliers to build a dynamic and closed-loop management system. When including a new supplier, we assign a person to conduct field visits and keep the complete assessment record of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

In 2022, our procurement process went smoothly without any delay in production, clinical trials and engineering construction. The continuous improvement in supply chain management provided guarantee for production and project R&D. For construction projects and service projects that require bidding, we strictly follow the Bidding Law of the PRC.

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VIII. CONCERTED EFFORTS IN ENVIRONMENTAL PROTECTION

Junshi Biosciences understands that corporate development is closely related to the environment, and we always emphasize the importance and necessity of green production. In the course of daily production and operation, we adhere to the policy of "green development through energy conservation, pollution reduction, compliance with laws, and constant optimization", strengthen the role of various departments of the Company in the supervision and management on energy use and management process, and strictly deal with all kinds of wastes discharged in the process of production. At the same time, we are concerned about the impact of extreme weather on production to ensure the sustainability of our operations. We conduct environmental risk analysis from time to time, review the environmental impact of project construction and production and operation, timely rectify various hidden dangers, and formulate special emergency plans, so as to protect the surrounding ecological environment, and are committed to building an eco-friendly enterprise. There was no environment-related non-compliance case in 2022.

Wujiang Production Base in Suzhou

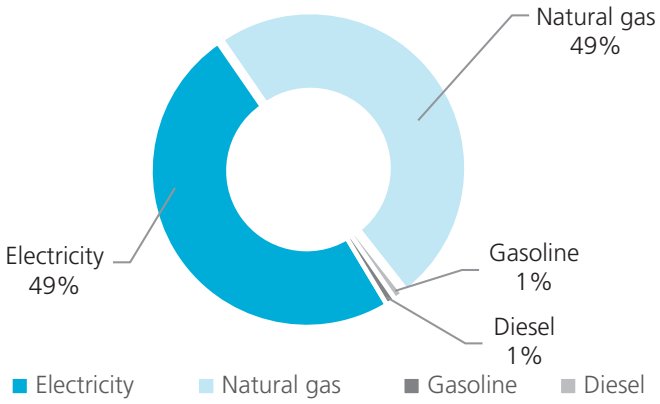
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. Use of Resources

In compliance with the Energy Conservation Law of the PRC, the Circular Economy Promotion Law of the PRC, the Cleaner Production Promotion Law of the PRC, the Opinions on Strengthening Water-saving Work in Industry, the Advanced Level, Energy Saving Level and Access Level of Energy Efficiency of Key Energy-Using Products and Equipment (2022 Version) and other laws and regulations, we have formulated the policy of "green development through energy conservation, pollution reduction, compliance with laws, and constant optimization" on the use of resources, and actively implemented this policy in the production and management process.

During the production process, we mainly consume water, natural gas, electricity and gasoline. In 2022, we consumed 84,685.31 MWh of energy in total. Among them, electricity consumption was 41,711.67 MWh, natural gas consumption was 41,807.95 MWh, gasoline consumption was 1,160.12 MWh, and diesel consumption was 5.57 MWh. The total greenhouse gas emission equivalent was 38,188.98 tons, comprising direct emissions (scope 1) of 8,844.82 tons, mainly from the combustion of natural gas, gasoline and diesel, and indirect emissions (scope 2) of 29,344.16 tons, mainly from purchased electricity.

Energy consumption by energy type



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2022, we consumed 475,333.60 cubic meters of water in total. Although the Company's business operations are not located in water-stressed regions, we continue to encourage improvement in water use efficiency in each operating unit to become a resource-saving enterprise. We have set goals in terms of greenhouse gas emission management and energy use, i.e. to actively respond to the national call for "3060" carbon peaking and carbon neutrality goals. With the data support of the energy management system and the effectiveness of energy saving and emission reduction measures, we will further reduce the energy consumption of production equipment and improve the efficiency of using water resources. In 2022, we continued to implement the following measures in response to our goals:

- Installed additional secondary and tertiary water meters based on the Building Management System (BMS) system and the energy management system installed to have more accurate classification and statistics on electricity and water consumption

- Strengthened inspection and repair of water leakage points, increased the frequency of inspections on water-consuming equipment, and posted water-saving slogans, thereby reducing unnecessary water and energy consumption to a greater extent

- Continued to promote the reclaimed water reuse project, and used reclaimed water for watering and toilet water in the Company

- Actively responded to the needs of the power system, adjusted power consumption behavior and power consumption patterns according to requirements, tried our best to avoid electricity consumption during peak hours, and implemented electricity consumption in an economical way

- Scheduled regular maintenance for production equipment, and regularly and timely replaced the parts that need to be replaced to ensure production efficiency and safety

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

We have also incorporated the concept of environmental protection into product packaging management. The raw materials of packaging materials are renewable green and environmentally friendly raw materials. Adhering to the low-carbon design, the packaging material suppliers select suppliers with green environmental protection qualifications recognized by the industry. In the packaging process, strict requirements are in place on the utilization rate of the use of packaging materials. After the packaging is completed, the quantity of all packaging materials must be calculated and recorded truthfully to reduce the waste of packaging materials.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Emission Management

We have established the environment, health and safety ("**EHS**") department and recruit professionals with extensive experience in EHS to be responsible for EHS work, in order to effectively manage emissions during R&D and production process. In complying with the Environmental Protection Law of the PRC, Law of the PRC on the Prevention and Control of Atmospheric Pollution, Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Waste (2021 Edition), the Regulations of on Environmental Protection, the Implementation Rules of Shanghai Municipality on Pollutant Discharge Permit Management, the 2022 Shanghai Municipality Atmospheric Environment and Climate Change Work Plan, the Environmental Protection Regulations of Jiangsu Province and other laws, regulations and normative documents, we developed the Solid Waste Management System, the Standard Operating Procedures for Waste Management, the Standard Operating Procedures for Biological Waste Management, the Standard Operating Procedures for Preventing Pollution, Cross-pollution, and Errors in Production Workshops, and other internal emissions management systems.

In 2022, we updated the Solid Waste Management System by optimizing certain processes and further deepening the management of waste discharge ledgers. We have added a section on the compliant disposal of medical waste in the Biosafety Manual for Level 2 biosafety laboratories, which clarified the collection, storage, and treatment methods for various types of waste, in order to realize recycling and harmless treatment for these waste, thereby minimizing the negative impacts on the environment. At the same time, we conduct environmental risk analysis from time to time, carry out internal environmental audit work every year, review the waste water, waste gas and noise emissions of the Company, regularly conduct maintenance inspections on environmental protection equipment, and review the environmental impact of project construction and production and operations, rectify all kinds of potential hazards in a timely manner and formulate special emergency plans to protect the surrounding ecology, and strive to build an eco-friendly enterprise.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- ***Exhaust emission***

  The main exhaust produced during our production process include buffer waste gas, experimental waste gas, boiler combustion waste gas, etc. In 2022, our emission of main exhaust was 4.73 tons in total. The main pollutants in the exhaust gas included 4.61 tons of nitrogen oxides (NOx) and 0.12 tons of sulfur oxides (SOx).

  In order to effectively control the exhaust emissions and reduce environmental pollution, we adopt different treatment methods, such as lye spray and activated carbon adsorption, etc., according to the types of exhaust to ensure the discharge after proper treatment. In 2022, no excessive emissions occurred. The emission data was far below the maximum allowable emission concentration and rate stipulated by the regulations and standards. In the future, our exhaust emission goal will be to further optimize the process flow, maintain the current good emission performance, and strictly control the emission data far below the various standards in various business locations.

- ***Wastewater discharge***

  We have built our own independent sewage treatment equipment to pre-treat the wastewater from production, quality control room, biological filter, and liquid waste from clinical laboratory during the production process in order to ensure that the quality and quantity of the treated wastewater are within the acceptance range of the sewage treatment plant. In 2022, we installed a sewage online monitoring device to monitor ammonia nitrogen, COD, PH and sewage flow online to prevent sewage indicators from out of limits.

- ***Solid waste management***

  Our main solid waste is from the production process, which can be categorized into non-hazardous wastes and hazardous wastes. Non-hazardous wastes include activated sludge, inorganic waste, waste molecular sieves, waste plastic, waste glass and domestic wastes. Hazardous wastes include laboratory chemical waste liquid, waste pharmaceuticals, waste activated carbons, waste disposable shake flasks, waste disposable reactors, waste filters, waste ion exchange resins, waste packaging, defective products, laboratory solid wastes, etc. In 2022, we generated 159.92 tons of hazardous wastes and 209.80 tons of non-hazardous wastes.

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

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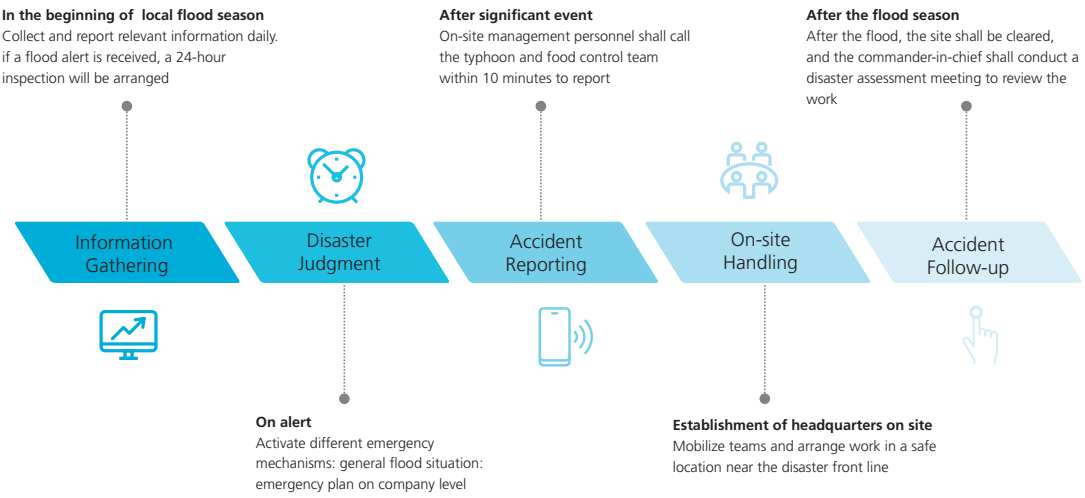
For hazardous wastes, we collect them in the production system and quality inspection workshop, and put them into specific sterilizing bags. After sterilizing with the high-temperature sterilization equipment, the wastes are stored in the temporary storage room for hazardous wastes. The professional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

In the future, our waste management goal is to further explore sustainable waste recycling and disposal methods to ensure that all hazardous wastes are centrally processed by qualified third-party professional treatment agencies, without occurring any environmental pollution incident.

3. Extreme Weather Response

As the scope of global climate change continues to expand, extreme weather events not only affect our production and operations, but also endanger the safety and health of our employees. Junshi Biosciences attaches great importance to the risks brought about by climate change. The extreme weather that we may face in our business locations mainly includes typhoons, thunderstorms and heavy rainfall. In order to cope with extreme weather and maintain production and operation, we developed typhoon & flood prevention emergency plans. With the general manager and deputy general manager being commanders, a response team was established, and teams for the purpose of rescue, support and coordination were set up separately. We clarified the emergency response process at different stages, including information gathering, disaster judgment, accident reporting, on-site handling, and accident follow-up, to enhance our awareness and ability to resist extreme weather.



Flood emergency response process

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IX. WARMTH AND CARING FOR THE SOCIETY

Junshi Biosciences always regards employees as its most valuable assets. Striving to protect the fundamental rights and interests of our employees, we improve the career development system of employees, create harmonious labour relations, and actively create a warm working environment for our employees. In addition, while pursuing the growth of the Company and employees, we never forget to contribute to the society, actively devote ourselves in public welfare, organize public welfare medical consultation activities, cooperate with professional institutions, and repay patients' families in the PRC and the world with continuous drug R&D and innovation and favorable pricing so as to share our development results with the society.

1. Employee Caring

In 2022, while continuing to comply with the Labour Law of the PRC, the Labour Contract Law of the PRC, the Special Provisions on Labour Protection of Female Employees, and other laws and regulations, we have also abided by newly promulgated policies and regulations such as the Civil Code of the PRC, the Several Regulations on Rewards and Subsidies for Family Planning in Shanghai and the Implementation Plan of Jiangsu Province to Improve Birth Policies to Promote the Long-Term Balanced Development of Population. At the same time, we also further reinforced a standardized system and reviewed a number of policies, processes and template documents related to employment, including the version update of the Employee Handbook, refined the Attendance Implementation Rules, the Welfare Management and the Holiday Management, enhanced the Labour Contract and Labour Agreement Management, the Recruitment, Employment and Resignation Management and the Internship Management, standardized the policies and procedures such as the Standards for Headhunting in the Recruitment Process and the Issuance of Referral Awards, and checked and updated template documents such as the Labour Contract, the Labour Contract Renewal Agreement, the Confidentiality Agreement and the Non-competition Agreement to protect the rights and interests of both the Company and employees to the greatest extent.

Adhering to the basic principle of "harmonious development and continuous symbiosis", we sustained our current employment policy and signed labour contracts with all employees in 2022. We adhere to the principle of "equal gender". The number of employees in 2022 within the scope of this report is 2,961, of which about 53% are female. We adhere to the principle of "being inclusive and diverse". Among our employees, in addition to Chinese employees, there are employees from the U.S., the United Kingdom, Malaysia, Singapore and other countries, and employees from China Taiwan as well. We also welcome colleagues from different national minorities such as Bai, Zang, Hui and Manchu. For employees with different nationalities, ethnicities, races, genders, religious beliefs and cultural backgrounds, we adhere to the principle of "equal pay for equal work", and treat them equally in terms of employee recruitment, compensation and benefits, promotion, dismissal and retirement. We firmly resist the recruitment of child labour and forced labour. We have not had any illegal matters related to the employment of child labour or forced labour. If relevant violations of laws and regulations are found, the Company will deal with them in strict compliance with the employment policy.

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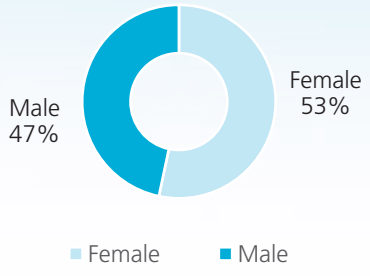
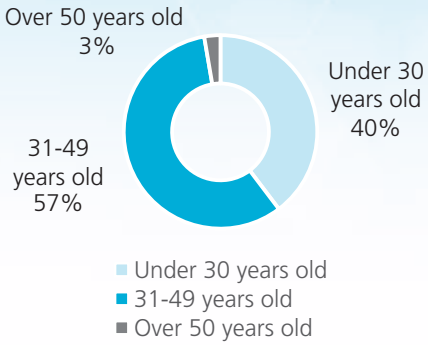
Gender distribution of employees



Age distribution of employees



We value employees' opinions and collect employees' opinions through various channels, such as employee opinion boxes and employee questionnaires. We continue to follow the human resources partner system and equip each employee with a human resources partner to provide feedback on various issues and demands raised by employees. At the same time, we also pay attention to resigned employees, conduct resignation interviews with them, analyze their main reasons for resignation, and take timely actions to retain talents for the Company. In 2022, we also completed the election of the second session of the labour union committee to better listen to the ideas and suggestions from employees.

- ***Employee development***

  We formulated the Measures for the Management of Employee Performance to protect the rights and interests of employees in career development and provide a clear and reasonable career path and platform for employees. In 2022, we strictly implemented the new version of the Performance Management System, and updated and supplemented the relevant systems including the Job Position Hierarchy System of Shanghai Junshi Biosciences, the Career Advancement Policy Process and Timetable, and the Remuneration System.

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We pay attention to the career development of employees. In 2022, we regularly provided "New Employee Training", compiled the New Employee Induction Guide, and designed and trained on "Anti-Fraud Training", "Employee Safety Knowledge Training" and "Guidelines for Preventing Sexual Harassment" centering on the theme of safety to help new employees accelerate their transition from students to office workers. Meanwhile, we further strengthened internal training for functional departments such as personnel, finance, IT, administration, and quality, and tried to introduce external resources to arrange "Transformation in Change" training sessions, thereby improving the coverage rate of training for employees from 76% in 2021 to 100% in 2022.

We also pay great attention to talent reserve for the future. In 2022, we continued to accept postgraduate students from Xi'an Jiaotong University for summer internships. In addition to China Pharmaceutical University, Guizhou College of Health Professions, Changchun Medical College, Qiannan Medical College for Nationalities, Shanghai Dianji University, Dezhou University and Chaohu University as our existing partners, we also signed a school-enterprise cooperation agreement with Jiangnan University to continuously bring new talents to the Company.

Case scenario: School of Pharmacy of Xi'an Jiaotong University – Shanghai Junshi Biosciences Summer Internship Program for Master's Degree Postgraduates

In September 2022, the reporting meeting of the School of Pharmacy of Xi'an Jiaotong University – Shanghai Junshi Biosciences Summer Internship Program for Master's Degree Postgraduates was held online via Tencent Meeting. The internship program is a first-class internship platform provided by Shanghai Junshi Biosciences for the School of Pharmacy of Xi'an Jiaotong University. By working in the enterprise for real, the interns can apply what they have learned while combining production and education, so that students can integrate their experience gained from internships into scientific research practice after returning to campus, continuously improve themselves, create more and better scientific research results, and make new contributions to the cause of medicine and health.

- ***Health and safety***

  We strictly abide by the Work Safety Law of the PRC (2021 Edition), the Regulations of the PRC on the Prevention and Control of Occupational Diseases, the Special Equipment Safety Law of the PRC, the Regulations on the Safety Administration of Dangerous Chemicals, the Regulations on Work-Related Injury Insurance, the Safety Production Regulations of Shanghai Municipality (Revised in 2022) and other laws and regulations, and on this basis, we have formulated the Incident Report Investigation Procedure, the Safety Inspection and Potential Accident Rectification System, the Emergency Plan for Safety Accidents, and the Occupational Health Management System and other policies. In 2022, we added the Safe Production Responsibility Management System, the Special Operator Management System, the Special Equipment Safety Management System and other new systems, to further clarify the management responsibilities of each department in safe production, the management procedure of safe production and safety accidents, and the matters requiring employees' attention in production and operation activities, so as to ensure production safety in an all-round way.

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In 2022, we continued to use our current annual health check-up benefit system. In addition to arranging medical examinations for employees every year, we also arrange medical examination of occupational diseases for laboratory personnel, in order to detect abnormalities such as occupational contraindications for occupational diseases as early as possible. For positions involving occupational pollution, based on the results of occupational disease risk factor tests conducted by third parties, on-the-job employees are regularly scheduled to undergo occupational medical examinations before, during, and out of the job. Besides, we also purchased medical and accident insurance for employees to relieve their worries. At the same time, in order to prevent safety accidents and effectively reduce or eliminate factors that endanger employees' occupational health, the Company formulated strict safety management mechanisms in accordance with the Good Manufacturing Practice (GMP) requirements. We collected comprehensive statistics about our special equipment, established a special equipment list and a chemical risk identification list, improved management of on-site fire-fighting equipment, and strengthened management and control of contractors' construction safety. We also carried out various safety trainings such as fire protection and emergency prevention training, gas mask use training, emergency drill on responding to chemical leakage, and drill on responding to natural gas leakage in boiler room, to improve employees' safety awareness and strengthen their practical operation capabilities.

Employees participating in fire protection and emergency training on responding to hazardous chemical leakage

Case scenario: Emergency drill on responding to natural gas leakage in boiler room

In October 2022, we carried out an emergency drill on responding to natural gas leakage in the boiler room. By simulating the real environment of a natural gas leakage alarm in the boiler room, employees took action once being notified by the alarm by wearing gas masks and cutting off the valve of the main natural gas pipeline immediately. Meanwhile, they shut down the boiler system and informed all departments using the steam from the boiler. The drill was carried out in strict accordance with the formulated procedure, and incident reporting, leakage response and rescue work were carried out smoothly, which improved employees' ability to respond to emergencies and handling skills, and the desired results were achieved.

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- ***Employee benefits***

We always value talents as the Company's core competitiveness. In the Measures for the Administration of Working Hours and Holidays, we stipulate that every employee has the right to take paid annual leave in accordance with the law, and we have set up a maternity protection clause. In 2022, we also added parental leave to reduce the workload of female employees during pregnancy and enrich the employee benefits system. We distribute holiday monetary gifts or custom gifts on multiple festivals throughout the year, including New Year's Day, Spring Festival, Women's Day on 8 March, Labour Day on 1 May, Dragon Boat Festival, Mid-Autumn Festival and National Day, and give out monetary gifts at employees' special moments such as birthdays, weddings and childbirths. From June to September every year, we offer monthly hot temperature subsidies. Our production plants also provide communication subsidies, free-of-charge work meals, free shuttle buses, transportation subsidies, free accommodation and other benefits, thus providing employees with holiday benefits and caring their lives throughout the year.

2022 was the 10th anniversary of the Company. We celebrated our 10th anniversary with a strong atmosphere and distributed 10th anniversary souvenirs to share our joy with all employees. In addition, we organize various forms of employee activities, including birthday parties for employees, a series of activities for the Spring Festival, giving gifts on the Women's Day, photography activities in parks, wrapping dumplings for the Dragon Boat Festival, summer team-building dinners, car boot sales, gomoku tournaments, autumn fun sports meets, and online fitness check-in competitions. We also provide funds, time and other resources to support the departments to organize their own team-building activities and enrich the cultural lives of employees during their spare time.

The 10th anniversary of the Company

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2. Harmonious Community

We are enthusiastic about participating in community charity activities and always believe that the development of charity activities is not only a platform for the Company to fulfil its social responsibilities, but also an important measure to build a good company image and enhance employees' pride. With the continuous development and growth of the Company, we will firmly fulfil our responsibility on social public welfare. In 2022, we invested a total of RMB17.6907 million in social welfare. We plan and participate in community public welfare, take the initiative to assume social responsibilities, and apply our endless domestic innovations in benefiting patients in China and around the world.

1. Entered into a strategic cooperation agreement with the Sun Yat-sen University Cancer Center

In August 2022, Junshi Biosciences and the Sun Yat-sen University Cancer Center held a signing ceremony for a strategic cooperation agreement in Guangzhou. The parties announced that they will integrate their respective high-quality resources to carry out in-depth cooperation in terms of scientific research cooperation, clinical research, personnel training and other aspects, and promote the accumulation of medical innovation elements, which will accelerate the transformation of scientific and technological achievements of clinical medicine, and fuel the innovative development of biomedicine in China.

Pursuant to the strategic cooperation agreement, both parties will cooperate in the R&D and clinical trials of new tumor drugs with a focus on "synergistic living bacteria biologics for immunotherapy" and other immuno-oncology therapy and autoimmune disease drugs. At the same time, the parties will also carry out cooperation on talent training in the fields of medical innovation and clinical research. Through the establishment of a close and in-depth strategic cooperative relationship, the parties will achieve the sharing of technical resources and complementary advantages, as well as strengthen the in-depth integration of "production, learning, research and application" to produce high-level medical innovation achievements, actively promote the R&D and marketing of innovative drugs in the field of oncology, and pursue people's health and lives.

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2. ***Assisted to organize the online public welfare medical consultation event on the World Lung Cancer Day***

17 November is the World Lung Cancer Day. On the 2022 World Lung Cancer Day, the online public welfare medical consultation event initiated by the Expert Committee of Patient Education of Chinese Society of Clinical Oncology, co-organized by the Department of Oncology of Dongdong Health, and supported by Junshi Biosciences was successfully held. With more than 39,000 viewers, the event invited 11 authoritative lung cancer experts in China to answer questions from lung cancer patients, which provided extensive anti-cancer knowledge to lung cancer patients and their families and guided them to fight the disease with a more positive mindset.

3. ***Supported the Middle East and North Africa countries to develop cancer treatment***

In recent years, the anti-PD-1 antibody has changed the way of cancer treatment, but its accessibility is not ideal for patients in the Middle East and North Africa. In December 2022, the Company reached a licensing and commercialization cooperation with Hikma Pharmaceuticals PLC, a transnational pharmaceutical company, which will develop and commercialize toripalimab in 20 Middle East and North Africa countries, including Jordan, Morocco, Egypt, Saudi Arabia and Qatar. This cooperation is expected to make toripalimab the first Chinese anti-PD-1 antibody drug to be launched in the Middle East and North Africa region, and provide low cost and high quality innovative cancer treatment for patients in the Middle East and North Africa region.

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APPENDIX

(I) ESG REPORTING GUIDE KPIS

		2022[2]	2021	2020	2019
A1.1 The types of emissions and respective emissions data[1]					
Total NO_X emissions	Ton	**4.61**	4.06	4.96	3.82
Total SO_X emissions	Ton	**0.12**	0.04	0.004	0.002
Total air emissions	Ton	**4.73**	4.10	4.96	3.82
Intensity of the air emissions	Ton/Million turnover	**0.003**	0.001	0.003	0.005
A1.2 Greenhouse gas emissions in total					
Direct emissions (Scope 1)[3]	Ton	**8,844.82**	8,069.64	5,783.59	3,812.70
Indirect emissions (Scope 2)[4]	Ton	**29,344.16**	27,465.40	23,861.66	13,007.78
Total GHG emissions	Ton	**38,188.98**	35,535.04	29,645.25	16,820.48
Intensity of the GHG emissions (Scopes 1&2)	Ton/Million turnover	**26.28**	8.83	18.59	21.70
A1.3 Total hazardous waste produced					
Total hazardous waste emissions	Ton	**159.92**	140.50	137.27	63.65
Intensity of hazardous waste emissions	Ton/Million turnover	**0.11**	0.03	0.09	0.08
A1.4 Total non-hazardous waste produced					
Total non-hazardous waste emissions[5]	Ton	**209.80**	274.80	183.00	615.00
Intensity of the non-hazardous waste emissions	Ton/Million turnover	**0.14**	0.07	0.11	0.79

1 The air emission data came from the installed monitoring system or commissioned monitoring by third parties, and was calculated according to the emission coefficient provided in the EMFAC-HK Vehicle Emission Calculation issued by the Environmental Protection Department in Hong Kong.

2 Due to business expansion, total GHG emissions and total energy consumption increased in 2022 as compared with 2021. The environmental data density in 2022 increased as compared to 2021 due to the corresponding decrease in revenue from technology licensing during the Reporting Period.

3 Direct GHG emissions data was calculated with reference to the default emission factors for common fossil fuels issued by the National Development and Reform Commission of the PRC.

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

5 Non-hazardous waste comprises of construction waste and domestic waste. As there was no new construction project in 2022, the total non-hazardous waste emissions decreased as compared with 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

		2022[2]	2021	2020	2019
A2.1 Total energy consumption by type[6]					
Electricity	kWh in '000s	**41,711.67**	40,820.20	33,918.49	18,490.09
Natural gas	kWh in '000s	**41,807.95**	37,289.90	27,660.00	18,227.66
Gasoline	kWh in '000s	**1,160.12**	1,744.45		
Diesel	kWh in '000s	**5.57**			
Total energy consumption	kWh in '000s	**84,685.31**	79,854.55	61,578.49	36,717.75
Intensity of the energy consumption	kWh in '000s/Million turnover	**58.28**	19.84	38.61	47.37
A2.2 Total water consumption					
Total consumption of water resource	Cubic meters	**475,333.60**	411,962.40	303,598.00	194,273.00
Intensity of water consumption	Cubic meters/Million turnover	**327.14**	102.35	190.36	250.65
A2.5 Packaging material used					
Inner package material (coated rubber stoppers, penicillin bottles, etc.)	Ton	**9.18**	9.36	17.04	10.95
External package material (product packaging, bottom support, etc.)	Ton	**17.29**	16.81	14.39	9.81
Total consumption of packaging material	Ton	**26.47**	26.17	31.44	20.76
Intensity of the consumption of packaging	Ton/Million turnover	**0.02**	0.01	0.02	0.03

6 Energy consumption data was based on consumption of purchased electricity and fuel and relevant conversion factors provided by the International Energy Agency.

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		2022	2021	2020	2019
B1.1 Total workforce by gender, employment type, age group and geographical region					
Total number of employees		**2,961**	2,805	2,453	1,421
Gender	Male	**1,382**	1,343	1,230	738
	Female	**1,579**	1,462	1,223	683
Employment type	Full time	**2961**	2,805	2,453	1,357
	Part-time	**0**	0	0	29
	Contractor	**0**	0	0	35
Age group	Age: ≤30	**1,175**	1,337	1,144	596
	Age: 31~49	**1,706**	1,407	1,249	759
	Age: ≥50	**80**	61	60	66
Geographical region	Domestic	**2,929**	2,777	2,437	1,410
	Overseas	**32**	28	16	11
B1.2 Employee turnover rate by gender, age group and geographical region					
Gender	Male	**27.22%**	26.85%	24.39%	16.71%
	Female	**21.99%**	20.33%	19.41%	18.14%
Age group	Age: ≤30	**27.91%**	19.41%	19.66%	15.80%
	Age: 31~49	**22.14%**	27.44%	24.60%	19.61%
	Age: ≥50	**21.57%**	16.44%	11.11%	8.20%
Geographical region	Domestic	**24.70%**	23.73%	22.04%	N/A
	Overseas	**3.03%**	6.67%	7.41%	N/A
B2.1 Number and rate of work-related fatalities					
Number of work-related fatalities		**None**	None	None	None
Rate of work-related fatalities		**N/A**	N/A	N/A	N/A
B2.2 Lost days due to work injury					
Lost days due to work injury		**None**	250	136	None

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

		2022	2021	2020	2019
B3.1 The percentage of employees trained by gender and employee category					
Gender	Male	**100.00%**	80.49%	70.57%	73.58%
	Female	**100.00%**	72.09%	70.07%	68.52%
Employee category	Senior management	**100.00%**	53.07%	53.21%	38.00%
	Middle management	**100.00%**	70.40%	74.51%	50.18%
	General staff	**100.00%**	79.83%	70.73%	79.89%
B3.2 The average training hours completed per employee by gender and employee category					
Gender	Male	**104.07**	36.82	27.72	72.69
	Female	**80.46**	30.15	26.86	68.75
Employee category	Senior management	**17.74**	14.00	15.28	35.70
	Middle management	**25.92**	12.31	18.26	49.62
	General staff	**117.82**	41.25	30.59	80.21

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(II) ESG REPORTING GUIDE CONTENT INDEX

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Guide No.	Chapter
	A3 The Environment and Natural Resources Policies on minimising the issuer's significant impacts on the environment and natural resources.	VIII. Concerted Efforts in Environmental Protection 1. Use of Resources 2. Emission Management
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	VIII. Concerted Efforts in Environmental Protection 1. Use of Resources 2. Emission Management
	A4 Climate Change Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	VIII. Concerted Efforts in Environmental Protection 3. Extreme Weather Response
	A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	VIII. Concerted Efforts in Environmental Protection 3. Extreme Weather Response
B Social	B1 Employment Information on: (a) the polices; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	IX. Warmth and Caring for the Society 1. Employee Caring
	B1.1 Total workforce by gender, employment type (for example, full-time or part-time), age group and geographical region.	Appendix (I)
	B1.2 Employee turnover rate by gender, age group and geographical region.	Appendix (I)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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Aspects	Guide No.	Chapter
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	IX. Warmth and Caring for the Society 1. Employee Caring
	B4.2 Description of steps taken to eliminate such practices when discovered.	IX. Warmth and Caring for the Society 1. Employee Caring
	B5 Supply Chain Management Policies on managing environmental and social risks of the supply chain.	VII. In Pursuit of Quality-first Policy 3. Supplier Management
	B5.1 Number of suppliers by geographical region.	VII. In Pursuit of Quality-first Policy 3. Supplier Management
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	VII. In Pursuit of Quality-first Policy 3. Supplier Management
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	VII. In Pursuit of Quality-first Policy 3. Supplier Management
	B5.4 Description of practices used to promote environmental preferable products and services when selecting suppliers, and how they are implemented and monitored.	VII. In Pursuit of Quality-first Policy 3. Supplier Management

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

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

As of the date of this report, the Group had over 50 drug candidates, covering five major therapeutic areas including malignant tumors, autoimmune diseases, chronic metabolic diseases, neurologic diseases and infectious diseases.

Details of the principal activities of the principal subsidiaries are set out in note 34 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

BUSINESS REVIEW AND RESULTS

A review of the business of the Group during the Reporting Period is provided in "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the Reporting Period using key financial performance indicators is provided in the Financial Review on pages 41 to 56 of this annual report.

The results of the Group for the Reporting Period are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 179 to 180 in the consolidated financial statements.

FINAL DIVIDENDS

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

FUTURE AND OUTLOOK

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

REPORT OF THE DIRECTORS

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

- In January 2023, the marketing of MINDEWEI, an oral nucleoside analog anti-SARS-CoV-2 Category 1 innovative drug, which was applied by Vinnerna Biosciences, a subsidiary controlled by the Company, for the treatment of adult patients with mild to moderate COVID-19 has been conditionally approved by the NMPA.

- In January 2023, the IND application for JS401 (a small interfering RNA drug targeting angiopoietin-like protein 3 messenger RNA) jointly developed by us and Risen Shanghai has been accepted by the NMPA.

- In January 2023, a randomized, double-blind, placebo-controlled, multi-center phase III clinical study (Neotorch study, NCT04158440) of TUOYI® in combination with platinum-containing doublet chemotherapy as perioperative treatment for operable NSCLC patients has finished the pre-specified interim analysis. The IDMC has determined that the primary endpoint of EFS has met the pre-defined efficacy boundary.

- In February 2023, a randomized, double-blind, placebo-controlled, multi-center phase III clinical study (TORCHLIGHT study, NCT04085276) of TUOYI® in combination with paclitaxel for injection (albumin-bound) in patients with initial diagnosis of stage IV or recurrent metastatic triple-negative breast cancer has finished the pre-specified interim analysis. The IDMC has determined that the primary endpoint has met the pre-defined efficacy boundary.

- In February 2023, two randomized, double-blind, placebo-controlled, multi-center phase III clinical studies (study nos.: JS002-003 and JS002-006) of ongericimab (a recombinant humanized anti-PCSK9 monoclonal antibody, code: JS002) for the treatment of primary hypercholesterolemia and mixed hyperlipidemia have met the primary endpoints.

- In February 2023, the MAA for toripalimab combined with cisplatin and gemcitabine for the first-line treatment of patients with locally recurrent or metastatic NPC, toripalimab combined with paclitaxel and cisplatin for the first-line treatment of patients with unresectable locally advanced/recurrent or metastatic ESCC has been accepted by the MHRA.

- In March 2023, the IND application for JS010 (recombinant humanized anti-CGRP monoclonal antibody injection) was approved by the NMPA.

- In March 2023, we entered into the Shareholders Agreement with Rxilient Biotech and its wholly-owned subsidiary, Excellmab. We will subscribe for the newly issued shares of Excellmab by payment in kind to obtain 40% equity interest in Excellmab. Subject to the fulfillment of the conditions precedent as agreed under the Shareholders Agreement, we will substantially perform our capital contribution obligations, and intend to enter into the License Agreement with Excellmab in the form as agreed upon by the parties at the time of entering into the Shareholders Agreement, thereby granting Excellmab an exclusive license and other relevant rights to develop and commercialize intravenous toripalimab in Thailand, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines and Vietnam. According to the progress of the R&D of toripalimab and other matters, we may receive a milestone payment of up to approximately US$4.52 million, plus a percentage of royalty on the net sales. In addition, Excellmab will have the right of first negotiation for commercialization if we determine to grant any third party the relevant rights of the other four drug candidates as agreed in the License Agreement in one or more countries within the cooperation territory.

REPORT OF THE DIRECTORS

RESEARCH AND DEVELOPMENT ACTIVITIES OF CORE PRODUCTS

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

INDUSTRY COMPETITION LANDSCAPE AND DEVELOPMENT TREND

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

The R&D model of innovative drugs includes independent R&D, licensing from other innovative drug companies or other forms of cooperative R&D. Most of the Company's IND and products in later stages are independently developed through its proprietary whole industry chain platform. As of the date of this report, the Company has more than 50 drugs candidates, which are in different R&D stages. Its abundant project reserves, including various target drugs with original innovation, reflects the excellent innovative drug R&D capabilities of the Company, one of the few companies in China that has the potential to develop revolutionary drugs. The market value of the Company is at the forefront among comparable companies, reflecting the high market recognition for the Company.

The development of China's innovative drug industry has entered a new stage of standardized development, and there is an increasing number of drugs of various types entering into the commercialization stage. In the face of international inflation and geopolitical risks, domestic pharmaceutical policy changes and competition, innovative drug companies have to combine the characteristics of their products with R&D strategies that are in line with their resource endowments to achieve greater success in the commercialization stage. Based on the current situation of the domestic and international environment, the development trend of China's pharmaceutical industry is as follows:

- the R&D of new drugs has entered the harvest period, and the number of approved clinical and marketed drugs has reached a new high. At the same time, the problem of homogeneous R&D exists. With the tightening of domestic approval policies, the threshold for innovative drug R&D has increased, and future market competition may be further intensified;

- the reform of medical insurance helps accelerate the sales of innovative drugs. In light of expectations towards stabilization of medical insurance fee control policies, the success rate of negotiations will further increase, and the rate of the decline in price will turn stable. It is expected that medical insurance negotiations will drive the volume of innovative drugs;

- faced with the pressure of the domestic payment side, there is an increasing number of companies that choose to enter the overseas market, open up the revenue ceiling, and ensure enterprises' continuous R&D investment capability;

- supported by national policies, the R&D targets of innovative drug companies have moved forward, the exploration of new technologies has increased, and the investment in basic research has increased significantly, which is expected to fill the gaps in unmet indications to a greater extent;

- driven by the reform of medical insurance payment methods, the trial of tiered diagnosis and treatment, and the high-quality development of public hospitals, medical demand continues to grow, and more high-quality medical resources will penetrate into the grassroot market. Innovative pharmaceutical companies may gradually deploy their strategic layout in the grassroots markets through multiple channels.

The R&D level of domestic innovative drugs is constantly improving, and more products with high levels of innovation as well as innovative pharmaceutical companies capable of developing more best-in-class or even drugs with original innovation will emerge in the future. We look forward to seeing domestic innovative pharmaceutical companies overcoming difficulties and going global.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period,

(i) the Group's largest supplier accounted for 9.44% (2021: 35.56%) of its total purchases, and the five largest suppliers accounted for 24.89% of its total purchases (2021: 46.51%); and

(ii) the Group's largest customer accounted for 21.66% (2021: 62.80%) of its total pharmaceutical sales and licensing income and the Group's five largest customers accounted for 72.91% (2021: 96.19%) of its total pharmaceutical sales and licensing income.

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

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

Details of the major subsidiaries of the Company as of 31 December 2022 are set out in note 34 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 29 to the consolidated financial statements.

As of 31 December 2022, 982,871,640 Shares were in issue (comprising 763,575,940 A Shares and 219,295,700 H Shares).

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company did not have any distributable reserves.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 December 2022 are set out in note 25 to the consolidated financial statements.

REPORT OF THE DIRECTORS

2018 PRE-IPO SHARE INCENTIVE SCHEME AND SHARE INCENTIVE AGREEMENTS

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

On 12 March 2018, the Company entered into Share Incentive Agreements with 268 Grantees, pursuant to which the Company agreed to grant, in aggregate, 6,023,000 Pre-IPO Options to the Grantees, representing approximately 0.79% of the total number of issued A Shares and approximately 0.61% of the total issued share capital of the Company as at the date of this report. The Company has subsequently entered into supplemental agreements with the Grantees to acknowledge the Amendments. The Pre-IPO Options are subject to the 2018 Pre-IPO Share Incentive Scheme.

The purpose of the 2018 Pre-IPO Share Incentive Scheme is to attract, retain and motivate the Group's employees, to align the interests of the Directors, the senior management, the employees and the Shareholders of the Company and to strive for long-term mutual development of the Company. The following is a summary of the principal terms of the 2018 Pre-IPO Share Incentive Scheme:

(a) the Directors, senior management, core technical personnel or core business personnel, as well as other employees having a direct impact on the Company's operating performance and future development who the Company believes should be incentivized, excluding independent Directors and Supervisors, of the Group are eligible to participate in the 2018 Pre-IPO Share Incentive Scheme. Except for the Directors of the Company, all other Grantees under the 2018 Pre-IPO Share Incentive Scheme should serve in the Company or its wholly-owned or controlled subsidiaries and enter into labor contracts with the Company or its wholly-owned or controlled subsidiaries. A person will cease to be eligible under the 2018 Pre-IPO Share Incentive Scheme if he/she, among others, has been identified as an inappropriate candidate by the stock exchanges or by the CSRC and its agencies in the past 12 months, imposed with administrative penalties or prohibited from market entry by the CSRC and its agencies due to material violations of laws and regulations or with administrative penalties by other securities regulatory authorities due to material violations of laws and regulations in the past three years, prohibited from acting as a director or a member of senior management of the Company by the PRC Company Law, prohibited from participation in the share incentive schemes of companies listed on the NEEQ or listed companies under laws and regulations, or other circumstances in which the person concerned is not suitable to be an incentive target as required under the relevant laws, regulations and regulatory documents such as the PRC Company Law and the PRC Securities Law or as determined by the relevant securities regulatory authorities;

(b) the 2018 Pre-IPO Share Incentive Scheme may be implemented, altered or terminated by resolution passed by the Shareholders in a general meeting. Subject to the approval of the Shareholders, the Board shall be responsible for administering and implementing the 2018 Pre-IPO Share Incentive Scheme and the relevant matters;

REPORT OF THE DIRECTORS

(c) the validity period of the 2018 Pre-IPO Share Incentive Scheme commences from the date on which the Pre-IPO Options are granted and ends on the date on which the Pre-IPO Options granted to the Grantees are fully exercised or fully cancelled. From the grant date, the validity period shall be no longer than 29 months from the date of the STAR Market Listing (i.e. 14 December 2022);

(d) the Company may settle the Pre-IPO Options by issue of the Company's domestic Shares to qualified financial products such as asset management plans and private equity funds subscribed by the Grantees, direct issue of the Company's domestic Shares to the Grantees or repurchase of the Company's domestic Shares by the Company from the secondary market. The ultimate sources of shares involved in 2018 Pre-IPO Share Incentive Scheme are ultimately determined by the Board (or the Company's management authorized by the Board) based on market and policy conditions;

(e) the exercise price of the Pre-IPO Options shall be RMB9.2 per Share. The exercise price was determined by the Company after comprehensive consideration of factors including the Company's operations, assets situation, employees' contribution to the Company, and the incentive effect of the 2018 Pre-IPO Share Incentive Scheme to the employees;

(f) the maximum number of shares underlying the Pre-IPO Options granted to each eligible participant are set out in the Share Incentive Agreements entered into between the Company and each eligible participant, and the aggregate number of Pre-IPO Options to be issued shall not exceed 6,023,000;

(g) the Pre-IPO Options are subject to different vesting period, starting from the grant date, and the vesting period shall not be less than 12 months;

(h) subject to the fulfillment of the exercise conditions stipulated in the 2018 Pre-IPO Share Incentive Scheme, the Grantees may exercise their Pre-IPO Options in three tranches after the expiry of the vesting period as follows: 25% of the total number of Pre-IPO Options granted may be exercised during the first exercise period (i.e., from the first trading day following the end of the 12 months from the date of grant until the last trading day of the 5 months from the date of STAR Market Listing), 35% of the total number of Pre-IPO Options granted may be exercised during the second exercise period (i.e., from the first trading day following the end of the 5 months from the date of STAR Market Listing until the last trading day of the 17 months from the date of STAR Market Listing), and 40% of the total number of Pre-IPO Options granted may be exercised during the third exercise period (i.e., from the first trading day following the end of the 17 months from the date of STAR Market Listing until the last trading day of the 29 months from the date of STAR Market Listing). The Grantees must complete the exercise of their Pre-IPO Options within the validity period. If the exercise conditions are not fulfilled during the current exercise period, the Pre-IPO Options for the current period shall not be exercised and the exercise cannot be deferred to the following period, the corresponding Pre-IPO Options shall automatically lapse; and

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

REPORT OF THE DIRECTORS

Following the H Share Listing, no further Pre-IPO Options will be granted by the Company under the 2018 Pre-IPO Share Incentive Scheme.

As at the date of this report, the 2018 Pre-IPO Share Incentive Scheme has expired.

Movement of Pre-IPO Options during the Reporting Period

On 16 December 2021, the Board of Directors resolved that the conditions for the exercise of Pre-IPO Options for the third exercise period under the 2018 Pre-IPO Share Incentive Scheme have been fulfilled. A total of 187 Grantees exercised 1,845,200 Pre-IPO Options at the exercise price of RMB9.2 per A share for the third exercise period, and on 7 July 2022, the Company issued 1,845,200 new A Shares (representing approximately 0.19% of the Company's issued share capital as at the date of this report) to such Grantees pursuant to the exercise of Pre-IPO Options granted under the 2018 Pre-IPO Share Incentive Scheme. The Company received from the said 187 Grantees a total amount of RMB16,975,840, of which RMB1,845,200 was contributed towards the paid-in share capital and RMB15,130,640 were contributed towards the capital reserve of the Company. The said A Shares issued to the Grantees upon the exercise under the Pre-IPO Options may be listed for trading on the STAR Market upon expiry of three years from the date of the exercise. Further details of the exercise of the Pre-IPO Options for the third exercise period under the 2018 Pre-IPO Share Incentive Scheme are set out in the Company's overseas regulatory announcements dated 16 December 2021 and 5 July 2022.

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

				Number of Pre-IPO Options					
Name or category of Grantee	Date of grant	Exercise Period[1]	Exercise Price (per A Share)	On 1 January 2022[2]	Granted	Exercised	Cancelled	Lapsed	On 31 December 2022
Chen Yingge (Secretary of the Board and member of senior management of the Company)	12 March 2018	12 March 2019 – 14 December 2022	RMB9.2	4,000	–	4,000	–	–	–
Other employees (186 in total)	12 March 2018	12 March 2019 – 14 December 2022	RMB9.2	1,841,200	–	1,841,200	–	–	–
Total				1,845,200	–	1,845,200	–	–	–

REPORT OF THE DIRECTORS

Notes:

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

(2) The consideration paid by each Grantee for the Pre-IPO Options was nil.

(3) During the Reporting Period, a total of 1,845,200 A Shares were exercised. The weighted average closing price of these A Shares immediately before the exercise dates of the relevant Pre-IPO Options is RMB76.75.

(4) The Pre-IPO Options are subject to different vesting period, starting from the grant date, and the vesting period shall not be less than 12 months.

Movement of the Pre-IPO Options and the relevant share-based payment expenses for the Reporting Period are set out in note 31 to the consolidated financial statements.

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

REPORT OF THE DIRECTORS

2020 RESTRICTED A SHARE INCENTIVE SCHEME

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

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

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

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

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

(d) The total number of Restricted Shares to be granted under the 2020 Restricted A Share Incentive Scheme will be not more than 35,648,000 A Shares (representing approximately 4.65% of the total number of issued A Shares and approximately 3.62% of the total issued share capital of the Company as at the date of this annual report) (subject to adjustment to the number of the Restricted Shares and/or the grant price upon occurrence of certain corporate actions of the Company according to the 2020 Restricted A Share Incentive Scheme ("**Adjustment**")). Amongst the total number of Restricted Shares, not more than 7,129,000 A Shares, representing approximately 20% of the total number of Restricted Shares, will be reserved for the Reserved Grant (subject to Adjustment). The source of all Restricted Shares under the scheme will be new ordinary A Shares to be issued by the Company to the participants.

REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

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

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

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

As of 31 December 2022, 269,740 new A Shares were attributed on 1 November 2022 under the First Grant and 13,976,580 Restricted Shares granted but yet to be attributed under the First Grant and Reserved Grant lapsed on 16 November 2022.

Details of the movements of the Restricted Shares under the First Grant of the 2020 Restricted A Share Incentive Scheme during the Reporting Period are as follows:

				Number of Restricted Shares					
Name or category of grantee	Date of grant[1]	Attribution Period[2]	Grant Price (RMB)[3]	On 1 January 2022[2]	Granted	Attributed	Lapsed	Cancelled	On 31 December 2022
Xiong Jun (Executive Director, Chairman of the Board and Legal Representative)[4]	16 November 2020	16 November 2021 – 15 November 2024	55.50	820,000	–	100,000	228,000	–	492,000
Li Ning (Executive Director, Chief Executive Officer and General Manager)[4]	16 November 2020	16 November 2021 – 15 November 2024	55.50	1,560,000	–	20,000	604,000	–	936,000
Feng Hui (Executive Director, core technical staff)[4]	16 November 2020	16 November 2021 – 15 November 2024	55.50	820,000	–	20,000	308,000	–	492,000
Yao Sheng (Executive Director, Deputy General Manager, core technical staff)[4]	16 November 2020	16 November 2021 – 15 November 2024	55.50	2,000,000	–	–	80,000	–	1,920,000
Zhang Zhuobing (Executive Director, Deputy General Manager, core technical staff)[4]	16 November 2020	16 November 2021 – 15 November 2024	55.50	820,000	–	20,000	308,000	–	492,000

REPORT OF THE DIRECTORS

Name or category of grantee	Date of grant[1]	Attribution Period[2]	Grant Price (RMB)[3]	Number of Restricted Shares On 1 January 2022[2]	Granted	Attributed	Lapsed	Cancelled	On 31 December 2022
Wang Gang (Deputy General Manager)	16 November 2020	16 November 2021 – 15 November 2024	55.50	270,000	–	10,000	98,000	–	162,000
Xu Baohong (Financial Director)	16 November 2020	16 November 2021 – 15 November 2024	55.50	80,000	–	2,000	30,000	–	48,000
Chen Yingge (Secretary of the Board of Directors)	16 November 2020	16 November 2021 – 15 November 2024	55.50	80,000	–	2,000	30,000	–	48,000
Wang Shixu (Financial manager of Junshi Biotechnology)[5]	16 November 2020	16 November 2021 – 15 November 2024	55.50	30,000	–	–	12,000	–	18,000
Other employees that are required to be incentivized as considered by the Board	16 November 2020	16 November 2021 – 15 November 2024	55.50	17,765,300	–	95,740	9,987,280	–	7,682,280
Total				24,245,300		269,740	11,685,280		12,290,280

Notes:

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

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

(3) The grant price is RMB55.50 per A Share (subject to Adjustment). The closing price of A Shares immediately before the date on which the relevant Restricted Shares were granted was RMB71.27 per A Share.

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

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

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

REPORT OF THE DIRECTORS

Details of the movements of the Restricted Shares under the Reserved Grant of the 2020 Restricted A Share Incentive Scheme during the Reporting Period are as follows:

				Number of Restricted Shares					
Name or category of grantee	Date of grant[1]	Attribution Period[2]	Grant Price (RMB)[3]	On 1 January 2022[2]	Granted	Attributed	Lapsed	Cancelled	On 31 December 2022
Other persons considered required to be incentivized by the Board of Directors	15 November 2021	15 November 2022 – 14 November 2024	55.50	7,129,000	–	–	2,291,300	–	4,837,700

Notes:

(1) The grant of Restricted Shares under the Reserved Grant was made on 15 November 2021.

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

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

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

Movement of the Restricted Shares and the relevant share-based payment expenses for the Reporting Period are set out in note 31 to the consolidated financial statements.

Further details of the 2020 Restricted A Share Incentive Scheme, First Grant and Reserved Grant are set out in the Company's circular dated 22 October 2020, overseas regulatory announcements dated 16 November 2020, 17 November 2020, 15 November 2021, 3 November 2022 and 16 November 2022.

The number of A Shares that may be issued in respect of all schemes of the Company during the Reporting Period was 33,219,500 A Shares, representing 4.76% of the weighted average number of A Shares in issue for the Reporting Period.

EQUITY-LINKED AGREEMENTS

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

REPORT OF THE DIRECTORS

DIRECTORS' AND SUPERVISORS' BIOGRAPHICAL DETAILS

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

Executive Directors
Mr. Xiong Jun *(Chairman and Legal Representative)*
Dr. Li Ning *(Chief Executive Officer and General Manager)*
Mr. Li Cong *(Co-Chief Executive Officer)*
Dr. Feng Hui
Mr. Zhang Zhuobing
Dr. Yao Sheng
Dr. Zou Jianjun (appointed with effect from 29 June 2022)

Non-executive Directors
Dr. Wu Hai
Mr. Tang Yi
Mr. Lin Lijun (resigned with effect from 8 December 2022)

Independent Non-executive Directors
Dr. Chen Lieping (tendered resignation which is to take effect upon the appointment of a new independent non-executive director)
Mr. Qian Zhi
Mr. Zhang Chun
Dr. Roy Steven Herbst
Dr. Feng Xiaoyuan

Supervisors
Mr. Wu Yu *(Chairman of the Board of Supervisors)*
Ms. Wang Pingping
Ms. Huo Yilian

See "Directors, Supervisors and Senior Management" of this annual report for biographical details of Directors, Supervisors and senior management of the Company.

Changes of Information of the Directors and Supervisors

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

As at the date of this report, changes in information since the date of publication of the 2021 Annual Report which are required to be disclosed by the Directors of the Company pursuant to Rule 13.51B(1) of the Listing Rules are set out as below:

REPORT OF THE DIRECTORS

Updated Biographical Details of Directors

Name of Director	Details of Change	Effective Date
Qian Zhi	Serving as the independent director of Kidswant Children Products Company Limited* (a company listed on the SSE on 14 October 2021)	20 May 2022
Zhang Zhuobing	Serving as the executive director, general manager and legal representative of Wuxi Junshi Biotechnology Co., Ltd.* (a wholly-owned subsidiary of the Company)	8 December 2022
	Serving as the executive director and legal representative of Wuxi Runmin Pharmaceutical Technology Co., Ltd.* (a non-wholly owned subsidiary of the Company)	8 December 2022

Service Agreement

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

None of the Directors or the supervisors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' and Supervisors' Rights to Acquire Shares or Debentures

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

Competing Interest and Other Interest

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

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

REPORT OF THE DIRECTORS

Independence of Independent Non-executive Directors

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

MANAGEMENT CONTRACTS

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

REMUNERATION POLICY

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

As at 31 December 2022, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code were as follows:

REPORT OF THE DIRECTORS

Interests in the Company

Name of Director/ Supervisor/ Chief Executive	Nature of interests	Class of Shares	Number of Shares/ Underlying Shares[1]	Approximate percentage in relevant class of Shares[1]	Approximate percentage in total share capital[1]
Xiong Jun	Beneficial owner[2]	A Shares	88,346,018 (L)	11.57%	8.99%
		H Shares	2,600 (L)	0.00%	0.00%
	Parties acting in concert/ Interest in controlled corporations[2]	A Shares	129,978,568 (L)	17.02%	13.22%
Li Ning	Beneficial owner[3]	A Shares	956,000 (L)	0.13%	0.10%
Li Cong	Beneficial owner	A Shares	3,657,600 (L)	0.48%	0.37%
Feng Hui	Beneficial owner[4]	A Shares	13,652,000 (L)	1.79%	1.39%
Zhang Zhuobing	Beneficial owner/ Interest of spouse[5]	A Shares	9,120,000 (L)	1.19%	0.93%
Yao Sheng	Beneficial owner[6]	A Shares	1,200,000 (L)	0.16%	0.12%
Tang Yi	Beneficial owner	A Shares	7,774,500 (L)	1.02%	0.79%
	Interest in controlled corporations[7]	A Shares	196,643,786 (L)	25.75%	20.01%
		H Shares	2,600 (L)	0.00%	0.00%

Notes:

1. The letter "L" denotes the long position in the Shares, the letter "S" denotes short position in the Shares and the letter "P"denotes lending pool. As at 31 December 2022, the Company had 982,871,640 issued Shares, comprising 763,575,940 A Shares and 219,295,700 H Shares.

2. As at 31 December 2022, Mr. Xiong directly held 88,346,018 A Shares and 2,600 H Shares. He was interested in 492,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

   Pursuant to (i) a concert party agreement dated 25 December 2017 entered into among Mr. Xiong Jun, Mr. Xiong Fengxiang, Suzhou Ruiyuan Shengben Biological Medicine Management Partnership (LP)* ("**Suzhou Ruiyuan**"), Suzhou Benyu Tianyuan Biological Technology Partnership (LP)* ("**Suzhou Benyu**"), Shanghai Baoying Asset Management Co., Ltd.* ("**Shanghai Baoying**"), Meng Xiaojun, Gao Shufang, Zhuhai Huapu Investment Management Co., Ltd.* and Zhao Yun (the "**2017 Concert Party Agreement**"), Mr. Xiong Jun was deemed to be interested in an aggregate of 108,297,768 A Shares held by the other parties to the 2017 Concert Party Agreement as at 31 December 2022 under the SFO (including the 41,060,000 A Shares directly held by Mr. Xiong Fengxiang, the father of Mr. Xiong Jun); and (ii) a concert party agreement dated 26 July 2019 entered into between Mr. Xiong Jun and Ms. Zhou Yuqing (the "**2019 Concert Party Agreement**"), Mr. Xiong Jun was further deemed to be interested in the 21,680,800 A Shares held by the other party to the 2019 Concert Party Agreement as at 31 December 2022 under the SFO.

REPORT OF THE DIRECTORS

As at 31 December 2022, Mr. Xiong Jun (i) was an executive director and was directly interested in 20% of the equity share capital of Shanghai Baoying, which directly held 4,372,144 A Shares; Shanghai Baoying was also a party to the 2017 Concert Party Agreement; (ii) was the chairman of the board of directors and was directly interested in 40% of the equity share capital of Shenzhen Qianhai Yuanben Equity Investment Fund Management Co., Ltd.* ("**Shenzhen Yuanben**"), which was the general partner of each of Suzhou Benyu and Suzhou Ruiyuan, which in turn directly held 4,600,000 and 43,584,000 A Shares, respectively, and were each a party to the 2017 Concert Party Agreement. Shenzhen Yuanben also held a limited partner interest of approximately 86.28% of Suzhou Benyu. Mr. Xiong Jun was deemed to be interested in an aggregate of such 52,556,144 A Shares under the SFO.

3. On 3 November 2022, Dr. Li Ning received 20,000 A Shares as a result of the attribution of the first grant under the 2020 Restricted A Share Incentive Scheme. As at 31 December 2022, Dr. Li Ning was interested in 936,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

4. As at 31 December 2022, Dr. Feng Hui directly held 13,652,000 A Shares. He was also interested in 492,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

5. As at 31 December 2022, Mr. Zhang Zhuobing's spouse, Ms. Liu Xiaoling, directly held 8,608,000 A Shares. On 3 November 2022, Mr. Zhang Zhuobing received 20,000 A Shares as a result of the attribution of the first grant under the 2020 Restricted A Share Incentive Scheme. Mr. Zhang was also interested in 492,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

6. As at 31 December 2022, Dr. Yao Sheng was interested in 1,200,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

7. As at 31 December 2022, Mr. Tang Yi directly held 7,774,500 A Shares. Mr. Tang Yi was a director of and directly interested in 60% of the equity share capital of Shenzhen Yuanben, which was the general partner of each of Suzhou Benyu and Suzhou Ruiyuan. Shenzhen Yuanben also held a limited partner interest of approximately 86.28% of Suzhou Benyu. Therefore, he was deemed to be interested in Shares in which Suzhou Benyu and Suzhou Ruiyuan were interested (including Shares and Restricted Shares that they are deemed to be interested in pursuant to the 2017 Concert Party Agreement) under the SFO.

Save as disclosed above, as at 31 December 2022, none of the Directors, Supervisors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

Interests in Associated Corporations

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

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

As at 31 December 2022, to the best knowledge of the Directors, the following persons/entities (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Class of Shares	Number of Underlying Shares[1]	Approximate percentage in relevant class of Shares[2]	Approximate percentage in total share capital[2]
Xiong Fengxiang	Beneficial owner	A Shares	41,060,000 (L)	5.38%	4.18%
熊鳳祥[3][4]	Parties acting in Concert	A Shares	155,583,786 (L)	20.38%	15.83%
Suzhou Ruiyuan Shengben Biological Medicine Management Partnership (LP)*	Beneficial owner	A Shares	43,584,000 (L)	5.71%	4.43%
	Parties acting in Concert	A Shares	153,059,786 (L)	20.05%	15.57%
蘇州瑞源盛本生物醫藥管理合夥企業(有限合夥)[4]					
Suzhou Benyu Tianyuan Biological Technology Partnership (LP)*	Beneficial owner	A Shares	4,600,000 (L)	0.60%	0.47%
	Parties acting in Concert	A Shares	192,043,786 (L)	25.15%	19.54%
蘇州本裕天源生物科技合夥企業(有限合夥)[4]					
Shanghai Baoying Asset Management Co., Ltd.*	Beneficial owner	A Shares	4,372,144 (L)	0.57%	0.44%
上海寶盈資產管理有限公司[4]					
	Parties acting in Concert	A Shares	192,271,642 (L)	25.18%	19.56%
Meng Xiaojun	Beneficial owner	A Shares	4,288,400 (L)	0.56%	0.44%
孟曉君[4]	Parties acting in Concert	A Shares	192,355,386 (L)	25.19%	19.57%
Gao Shufang	Beneficial owner	A Shares	3,789,720 (L)	0.50%	0.39%
高淑芳[4]	Parties acting in Concert	A Shares	192,854,066 (L)	25.26%	19.62%
Zhuhai Huapu Investment Management Co., Ltd.*	Beneficial owner	A Shares	3,719,504 (L)	0.49%	0.38%
	Parties acting in Concert	A Shares	192,924,282 (L)	25.27%	19.63%
珠海華樸投資管理有限公司[4]					
Zhao Yun	Beneficial owner	A Shares	2,884,000 (L)	0.38%	0.29%
趙雲[4]	Parties acting in Concert	A Shares	193,759,786 (L)	25.38%	19.71%
Zhou Yuqing	Beneficial owner	A Shares	21,680,800 (L)	2.84%	2.21%
周玉清[5]	Parties acting in Concert		88,346,018 (L)	11.57%	8.99%
Lin Lijun[6]	Interest in controlled corporations[8]	A Shares	78,852,000 (L)	10.33%	8.02%

REPORT OF THE DIRECTORS

Name of Shareholder	Nature of interests	Class of Shares	Number of Underlying Shares[1]	Approximate percentage in relevant class of Shares[2]	Approximate percentage in total share capital[2]
	Founder of a discretionary trust who can influence how the trustee exercises his discretion[8]	H Shares	30,659,000 (L)	13.98%	3.12%
Shanghai Tanying Investment Partnership (LP)* 上海檀英投資合夥企業(有限合夥)[6]	Beneficial owner	A Shares	76,590,000 (L)	10.03%	7.79%
Shanghai Lejin Investment Partnership (LP)* 上海樂進投資合夥企業(有限合夥)[6]	Interest of controlled corporation	A Shares	76,590,000 (L)	10.03%	7.79%
Shanghai Shengdao Investment Partnership (LP)* 上海盛道投資合夥企業(有限合夥)[6]	Interest of controlled corporation	A Shares	76,590,000 (L)	10.03%	7.79%
Shanghai Zhengxingu Investment Management Co., Ltd.* 上海正心谷投資管理有限公司	Interest of controlled corporation	A Shares	78,852,000 (L)	10.33%	8.02%
Gong Ruilin 龔瑞琳	Interest of spouse/Interest of controlled corporation[6][8]	A Shares	78,852,000 (L)	10.33%	8.02%
	Interest of spouse[7][8]	H Shares	30,659,000 (L)	13.98%	3.12%
Loyal Valley Capital Advantage Fund LP[7][9]	Beneficial owner	H Shares	10,106,000 (L)	4.61%	1.03%
Loyal Valley Capital Advantage Fund GP Limited[7]	Interest in controlled corporation	H Shares	10,106,000 (L)	4.61%	1.03%
Loyal Valley Capital Advantage Fund II LP[7][9]	Beneficial owner	H Shares	12,127,000 (L)	5.53%	1.23%
Loyal Valley Capital Advantage Fund II Limited[7]	Interest of controlled corporation	H Shares	12,127,000 (L)	5.53%	1.23%
LVC Renaissance Fund LP[7]	Beneficial owner	H Shares	14,956,000 (L)	6.82%	1.52%
LVC Renaissance Limited[7]	Interest of controlled corporation	H Shares	14,956,000 (L)	6.82%	1.52%
LVC Holdings Limited[7]	Interest of controlled corporation	H Shares	22,233,000 (L)	10.14%	2.26%
LVC Management Holdings Limited[7]	Interest of controlled corporation	H Shares	22,233,000 (L)	10.14%	2.26%
LVC Bytes Limited (now known as LVC Innovate Limited)[7]	Interest of controlled corporation	H Shares	37,189,000 (L)	16.96%	3.78%
Jovial Champion Investments Limited[7]	Interest of controlled corporation	H Shares	37,189,000 (L)	16.96%	3.78%
Vistra Trust (Singapore) Pte. Limited[7]	Trustee	H Shares	37,189,000 (L)	16.96%	3.78%
Highbury Investment Pte Ltd[9]	Beneficial owner	H Shares	7,490,489 (L)	3.42%	0.76%
	Interest of controlled corporation	H Shares	12,127,000 (L)	5.53%	1.23%

REPORT OF THE DIRECTORS

Name of Shareholder	Nature of interests	Class of Shares	Number of Underlying Shares[1]	Approximate percentage in relevant class of Shares[2]	Approximate percentage in total share capital[2]
GIC (Ventures) Pte. Ltd.[9]	Interest of controlled corporation	H Shares	19,617,489 (L)	8.95%	2.00%
GIC Special Investments Private Limited[9]	Investment manager	H Shares	19,617,489 (L)	8.95%	2.00%
GIC Private Limited[9]	Interest of controlled corporation	H Shares	18,817,489 (L)	8.58%	1.91%
	Investment manager	H Shares	690,000 (L)	0.31%	0.07%
Hillhouse Capital Advisors, Ltd.[10]	Investment manager	H Shares	11,400,000 (L)	5.20%	1.16%
綠地數字科技有限公司	Interest of controlled corporation	H Shares	51,386,400 (L)	23.43%	5.21%
Morgan Stanley	Interest of controlled corporation	H Shares	10,947,946 (L)	4.99%	1.11%
			12,503,584 (S)	5.70%	1.27%

Notes:

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

2. As at 31 December 2022, the Company had 982,871,640 issued Shares, comprising 763,575,940 A Shares and 219,295,700 H Shares.

3. As at 31 December 2022, Mr. Xiong Fengxiang directly held 41,060,000 A Shares. Pursuant to the 2017 Concert Party Agreement, Mr. Xiong Fengxiang was deemed to be interested in an aggregate of 155,583,786 A Shares held by the other parties to the 2017 Concert Party Agreement under the SFO (including the 88,346,018 A Shares directly held by Mr. Xiong Jun, son of Mr. Xiong Fengxiang, and the 492,000 Restricted Shares Mr. Xiong Jun is interested in pursuant to the 2020 Restricted A Share Incentive Scheme).

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

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

6. As at 31 December 2022, Shanghai Tanying Investment Partnership ("**Shanghai Tanying**") was directly interested in 76,590,000 A Shares. Shanghai Tanzheng Investment Partnership ("**Shanghai Tanzheng**") directly held 2,262,000 A Shares. Mr. Lin Lijun was a director and wholly interested in Shanghai Zhengxingu Investment Management Co., Ltd.* (上海正心谷投資管理有限公司) (formerly Shanghai Shengge Asset Management Co., Ltd.*) ("**Shanghai Loyal Valley**"), which was the general partner of Shanghai Tanying and Shanghai Tanzheng. Mr. Lin Lijun was also the general partner of Shanghai Shengdao Investment Partnership (LP)* (上海盛道投資合夥企業(有限合夥)) ("**Shanghai Shengdao**"), which was the general partner of Shanghai Lejin Investment Partnership (LP)* (上海樂進投資合夥企業(有限合夥)) ("**Shanghai Lejin**"), which in turn held 99.99% interest in Shanghai Tanying. Therefore, Mr. Lin Lijun was deemed to be interested in the Shares held by Shanghai Tanying and Shanghai Tanzheng under the SFO. Each of Shanghai Loyal Valley, Shanghai Shengdao and Shanghai Lejin was deemed to be interested in the 76,590,000 A Shares held by Shanghai Tanying under the SFO. Shanghai Loyal Valley was also deemed to be interested in the A Shares held by Shanghai Tanzheng under the SFO.

REPORT OF THE DIRECTORS

7. As at 31 December 2022, Loyal Valley Capital Advantage Fund LP ("**LVC Fund I**"), Loyal Valley Capital Advantage Fund II LP ("**LVC Fund II**") and LVC Renaissance Fund LP ("**LVC Renaissance Fund**", together with LVC Fund I and LVC Fund II, the "**LVC Funds**") directly held 10,106,000 H Shares, 12,127,000 H Shares and 14,956,000 H Shares, respectively. Loyal Valley Capital Advantage Fund GP Limited ("**LVC Fund I GP**") was the general partner of LVC Fund I was deemed to be interested in the H Shares held by it. Loyal Valley Capital Advantage Fund II Limited ("**LVC Fund II GP**") was the general partner of LVC Fund II and was deemed to be interested in the H Shares held by it. LVC Renaissance Limited ("**LVC Renaissance GP**") was the general partner of LVC Renaissance Fund and was deemed to be interested in the H Shares held by it.

   Each of LVC Fund I GP and LVC Fund II GP was wholly-owned by LVC Holdings Limited, which was wholly-owned by LVC Management Holdings Limited. Therefore, each of LVC Holdings Limited and LVC Management Holdings Limited was deemed to be interested in the aggregate H Shares held by LVC Fund I and LVC Fund II.

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

   Also, LVC Renaissance Fund was owned as to (i) 20.13% by Golden Valley Global Limited, which was wholly-owned by Shanghai Lehong Investment Partnership (LP)* (上海樂泓投資合夥企業(有限合夥)) ("**Shanghai Lehong**"). Shanghai Tanying (a controlled corporation of Mr. Lin Lijun) held 99.99% interest in Shanghai Lehong and Shanghai Loyal Valley (a corporation wholly-owned by Mr. Lin Lijun) was the general partner of Shanghai Lehong; and (ii) 33.28% by Loyal Valley Innovation Capital (HK) Limited, which was wholly-owned by Mr. Lin Lijun. Therefore, Mr. Lin Lijun was deemed to be interested in an aggregate of 37,189,000 H Shares held by the LVC Funds under the SFO.

8. Ms. Gong Ruilin is the spouse of Mr. Lin Lijun. As at 31 December 2022, Shanghai Tanying was a controlled corporation of both Ms. Gong Ruilin and Mr. Lin Lijun. Therefore, Ms. Gong was deemed to be interested in the 76,590,000 A Shares held by Shanghai Tanying under the SFO. In addition, Ms. Gong was also deemed to be interested in another 2,262,000 A Shares held by Mr. Lin Lijun through his other controlled corporations.

9. As at 31 December 2022, Highbury Investment Pte Ltd. ("**Highbury**") directly held 12,127,000 H Shares. Highbury also held 90.90% interest in LVC Fund II and was deemed to be interested in the 12,127,000 H Shares held by LVC Fund II. Highbury was wholly-owned by GIC (Ventures) Pte. Ltd. ("**GIC Ventures**"), which was wholly-owned by GIC Special Investments Private Limited ("**GIC SIPL**"), which was in turn wholly-owned by GIC Private Limited ("**GIC Private**"). Therefore, each of GIC Ventures, GIC SIPL and GIC Private was interested in the H Shares in which Highbury was interested under the SFO.

10. As at 31 December 2022, Hillhouse Capital Advisors, Ltd. controlled Gaoling Fund, L.P. and YHG Investment, L.P. and was therefore deemed to be interested in the 10,715,000 H Shares and 685,000 H Shares held by Gaoling Fund, L.P. and YHG Investment, L.P., respectively under the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 5 July 2022, the Company issued 1,845,200 new A Shares pursuant to the exercise of pre-IPO share options granted under the pre-IPO share incentive scheme of the Company by eligible employees (further details of the pre-IPO share incentive scheme and the amendments thereto are set out in the Prospectus, supplemental circular dated 27 May 2019, circular dated 20 April 2020, and further details of the exercise of pre-IPO share options for the third exercise period under the pre-IPO share incentive scheme are set out in the Company's overseas regulatory announcements dated 16 December 2021 and 5 July 2022).

REPORT OF THE DIRECTORS

On 1 November 2022, the Company issued 269,740 new A Shares pursuant to the first attribution of the first grant under the 2020 Restricted Share Incentive Scheme. For further details, please refer to the Company's overseas regulatory announcements dated 15 November 2021 and 3 November 2022.

On 2 December 2022, a total of 70,000,000 new A Shares were issued and allotted by the Company at an issue price of RMB53.95 per Share to target subscribers. Further details of the said issuance are set out in the Company's announcement and circular dated 7 March 2022, the poll results announcement dated 6 April 2022, and the announcements dated 14 June 2022, 16 September 2022, 3 November 2022 and 6 December 2022.

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

CONNECTED TRANSACTIONS

During the Reporting Period, the Group did not have any connected transactions which is discloseble pursuant to Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTION

During the Reporting Period, the Group did not have any continuing connected transactions that are required to be disclosed under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with "related parties" as defined under applicable accounting standards. Related party transactions are disclosed in note 33 to the consolidated financial statements. They include the following connected transactions under the Listing Rules:

Compensation to the Directors and Supervisors in note 12 to the consolidated financial statements	They are exempted under Rule 14A.76 or 14A.95 of the Listing Rules

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

DONATIONS

During the Reporting Period, the Group made donations of approximately RMB12 million.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

TAX RELIEF AND EXEMPTION (H SHAREHOLDERS)

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

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

The Company did not have any distributable profit in 2022. The Company did not pay any dividend. Accordingly, the shareholders of the Company (including the holders of H Shares) are not subject to income tax.

COMPANY'S COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

PERMITTED INDEMNITY PROVISION

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

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

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

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. As at the date of this report, the Board comprises seven executive Directors, two non-executive Directors and five independent non-executive Directors. The Board has adopted the code provisions as set out in the CG Code as its corporate governance code. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 72 to 88 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

For further details of the Company's environmental, social and governance efforts and performance, please refer to the Environmental, Social and Governance Report on pages 89 to 147 of this report.

SUFFICIENCY OF PUBLIC FLOAT

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

(a) 16%;

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

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

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

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

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

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years (prepared in accordance with IFRS) are set out on page 10 of this annual report. This summary does not form part of the audited consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee consists of two Independent Non-executive Directors, being Mr. Zhang Chun (Chairman) and Mr. Qian Zhi, and one Non-executive Director, being Mr. Tang Yi. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group and overseeing the audit process.

The Audit Committee has reviewed, together with the management and external auditors of the Company, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2022.

AUDITOR

The financial statements for the year ended 31 December 2022 has been audited by Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu shall retire in the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution to re-appoint Deloitte Touche Tohmatsu as auditor of the Company and to authorize the Directors to fix its remuneration will be proposed at the forthcoming AGM.

CLOSURE OF THE REGISTER OF MEMBERS OF H SHARES

The date of the AGM and the closure of the register of members of H Shares will be announced in due course.

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

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

30 March 2023

* *For identification purpose only*

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of 上海君實生物醫藥科技股份有限公司 Shanghai Junshi Biosciences Co., Ltd.* (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 179 to 294, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Cut-off of research and development expenses	
The Group incurred significant research and development ("R&D") expenses of RMB2,384,373,000 as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022. In addition, R&D expenses of RMB415,751,000 were accrued as at 31 December 2022 as set out in Note 24 to the consolidated financial statements. A large portion of these accrued R&D expenses were service fees payable to outsourced service providers including contract research organisations and clinical trial centres (collectively referred to as the "Outsourced Service Providers"). We identified the cut-off of R&D expenses as a key audit matter due to its significant amount and risk of not accruing R&D costs incurred for services provided by the Outsourced Service Providers in the appropriate reporting period.	Our procedures in relation to the cut-off of R&D expenses included: • Obtaining an understanding of key controls, management's basis and assessment in relation to the accrual process of the R&D expenses including service fees paid to Outsourced Service Providers; • For the service fees paid to contract research organisations, reading the key terms set out in research agreements and evaluating the completion status with reference to the progress reported by the representatives of the relevant contract research organisations, on a sample basis, to determine whether the service fees were recorded based on the respective contract sums, progress and/or milestones achieved; and • For the service fees paid to clinical trial centres, testing the accrual of the clinical trial related costs, on a sample basis, against the clinical trial data and terms of services.

OTHER INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

		Year ended 31 December	
		2022	2021
	NOTES	**RMB'000**	RMB'000
Revenue	*5*	**1,453,493**	4,024,841
Cost of sales and services		**(526,282)**	(1,258,187)
Gross profit		**927,211**	2,766,654
Other income	*6*	**95,890**	123,762
Other gains and losses	*7*	**92,245**	74,237
Impairment losses under expected credit loss model, net of reversal		**(47)**	342
Research and development expenses		**(2,384,373)**	(2,068,739)
Selling and distribution expenses		**(715,704)**	(734,563)
Administrative expenses		**(578,269)**	(647,950)
Share of (loss) profit of joint ventures		**(1,550)**	35
Share of losses of associates		**(69,482)**	(48,498)
Other expenses		**(11,753)**	(36,095)
Finance costs	*8*	**(29,370)**	(21,833)
Loss before tax	*9*	**(2,675,202)**	(592,648)
Income tax credit (expense)	*10*	**93,107**	(135,533)
Loss for the year		**(2,582,095)**	(728,181)
Other comprehensive (expense) income for the year			
Item that will not be reclassified to profit or loss			
Fair value (loss) gain on equity instruments at fair value through other comprehensive income		**(116,118)**	19,454
Item that will may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**47,499**	(9,852)
Other comprehensive (expense) income for the year		**(68,619)**	9,602
Total comprehensive expense for the year		**(2,650,714)**	(718,579)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

		Year ended 31 December	
		2022	2021
	NOTE	**RMB'000**	RMB'000
Loss for the year attributable to:			
Owners of the Company		**(2,386,067)**	(718,557)
Non-controlling interests		**(196,028)**	(9,624)
		(2,582,095)	(728,181)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(2,454,686)**	(708,955)
Non-controlling interests		**(196,028)**	(9,624)
		(2,650,714)	(718,579)
Loss per share	*11*		
Basic (RMB yuan)		**(2.60)**	(0.80)
Diluted (RMB yuan)		**(2.60)**	(0.80)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 December 2022

	NOTES	At 31 December 2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	*14*	**2,979,327**	2,727,809
Right-of-use assets	*15*	**299,129**	341,983
Intangible assets	*16*	**98,913**	40,251
Interests in joint ventures	*17*	**109,506**	16,056
Interests in associates	*18*	**383,133**	441,736
Deferred tax assets	*28*	**228,427**	88,550
Other assets, prepayments and other receivables	*21*	**362,749**	533,914
Other financial assets	*22*	**910,197**	1,027,108
Restricted bank deposits	*23*	**–**	1,574
		5,371,381	5,218,981
Current assets			
Inventories	*19*	**599,021**	484,601
Trade receivables	*20*	**232,725**	1,292,933
Other assets, prepayments and other receivables	*21*	**345,137**	549,141
Restricted bank deposits	*23*	**31,086**	459
Bank balances and cash	*23*	**5,996,936**	3,504,605
		7,204,905	5,831,739
Current liabilities			
Trade and other payables	*24*	**1,338,400**	1,907,523
Borrowings	*25*	**391,750**	10,596
Deferred income	*26*	**440**	3,683
Lease liabilities	*27*	**43,664**	34,472
Tax payables		**–**	60,361
		1,774,254	2,016,635
Net current assets		**5,430,651**	3,815,104
Total assets less current liabilities		**10,802,032**	9,034,085

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 December 2022

		At 31 December	
		2022	2021
	NOTES	**RMB'000**	RMB'000
Non-current liabilities			
Borrowings	*25*	**839,582**	490,000
Deferred income	*26*	**121,615**	118,776
Lease liabilities	*27*	**46,585**	93,127
		1,007,782	701,903
Net assets		**9,794,250**	8,332,182
Capital and reserves			
Share capital	*29*	**982,872**	910,757
Reserves		**8,518,544**	7,050,146
Equity attributable to owners of the Company		**9,501,416**	7,960,903
Non-controlling interests		**292,834**	371,279
Total equity		**9,794,250**	8,332,182

The consolidated financial statements on pages 179 to 294 were approved and authorised for issue by the board of directors on 30 March 2023 and are signed on its behalf by:

Xiong Jun
Director

Li Ning
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Restricted share units ("RSU") reserve RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Revaluation reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	872,496	8,574,352	25,565	32,777	–	–	(9,393)	(3,654,534)	5,841,263	(3)	5,841,260
Loss for the year	–	–	–	–	–	–	–	(718,557)	(718,557)	(9,624)	(728,181)
Fair value gain on equity instruments at fair value through other comprehensive income	–	–	–	–	–	19,454	–	–	19,454	–	19,454
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(9,852)	–	(9,852)	–	(9,852)
Total comprehensive income (expense) for the year	–	–	–	–	–	19,454	(9,852)	(718,557)	(708,955)	(9,624)	(718,579)
H shares issued (Note 29(a))	36,549	2,097,832	–	–	–	–	–	–	2,134,381	–	2,134,381
Transaction costs attributable to issue of H shares	–	(30,434)	–	–	–	–	–	–	(30,434)	–	(30,434)
Capital contribution to a subsidiary by non-controlling shareholders *(Note a)*	–	–	–	–	514,094	–	–	–	514,094	380,906	895,000
Recognition of equity settled share-based payment expenses – share option *(Note 31)*	–	–	–	2,499	–	–	–	–	2,499	–	2,499
Recognition of equity settled share-based payment expenses – RSU *(Note 31)*	–	–	192,309	–	–	–	–	–	192,309	–	192,309
Exercise of share options	1,712	30,242	–	(16,208)	–	–	–	–	15,746	–	15,746
At 31 December 2021	910,757	10,671,992	217,874	19,068	514,094	19,454	(19,245)	(4,373,091)	7,960,903	371,279	8,332,182
Loss for the year	–	–	–	–	–	–	–	(2,386,067)	(2,386,067)	(196,028)	(2,582,095)
Fair value loss on equity instruments at fair value through other comprehensive income	–	–	–	–	–	(116,118)	–	–	(116,118)	–	(116,118)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	47,499	–	47,499	–	47,499
Total comprehensive (expense) income for the year	–	–	–	–	–	(116,118)	47,499	(2,386,067)	(2,454,686)	(196,028)	(2,650,714)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Restricted share units ("RSU") reserve RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Revaluation reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
A shares issued *(Note 29(b))*	70,000	3,706,500	-	-	-	-	-	-	3,776,500	-	3,776,500
Transaction costs attributable to issue of A shares	-	(31,697)	-	-	-	-	-	-	(31,697)	-	(31,697)
Capital contribution to a subsidiary by non-controlling shareholders *(Note a)*	-	-	-	-	258,875	-	-	-	258,875	121,125	380,000
Acquisition of shares from non-controlling interest *(Note b)*	-	-	-	-	(132,283)	-	-	-	(132,283)	(53,967)	(186,250)
Acquisition of a subsidiary *(Note 38)*	-	-	-	-	-	-	-	-	-	49,000	49,000
Recognition of equity settled share-based payment expenses – RSU *(Note 31)*	-	-	91,857	-	-	-	-	-	91,857	1,425	93,282
Exercise of share options	1,845	34,199	-	(19,068)	-	-	-	-	16,976	-	16,976
Exercise of RSUs	270	18,499	(3,798)	-	-	-	-	-	14,971	-	14,971
Forfeit of RSUs	-	132,205	(132,205)	-	-	-	-	-	-	-	-
At 31 December 2022	982,872	14,531,698	173,728	-	640,686	(96,664)	28,254	(6,759,158)	9,501,416	292,834	9,794,250

Notes:

(a) Pursuant to board resolution dated 16 December 2021, the Company proposed to increase the registered capital of Shanghai JunTop Biosciences Co., Ltd.* (上海君拓生物醫藥科技有限公司) ("JunTop Biosciences"), a then wholly-owned subsidiary. External investors ("Round A Investors") proposed to subscribe for the newly increased registered capital of JunTop Biosciences at the price of RMB1,275,000,000. As of 31 December 2021, capital amounting to RMB895,000,000 has been paid up to JunTop Biosciences by Round A Investors. During the year ended 31 December 2022, the remaining capital amounting to RMB380,000,000 has been paid up by Round A Investors.

(b) Pursuant to the sales and purchase agreement dated 17 May 2022, the Company acquired shares of the subsidiary, JunTop Biosciences from non-controlling interests with a total consideration of RMB186,250,000. Upon the completion of transaction, the interest in JunTop Biosciences held by the Company was increased from 68.125% to 71.85%.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(2,675,202)**	(592,648)
Adjustments for:		
Depreciation of property, plant and equipment	**232,615**	215,825
Depreciation of right-of-use assets	**51,117**	41,469
Amortisation of intangible assets	**9,922**	5,265
Write-down of inventories	**21,974**	13,647
Share-based payment expenses	**91,911**	192,754
Bank interest income	**(61,018)**	(30,979)
Finance costs	**29,370**	21,833
Government grants related to property, plant and equipment	**(1,451)**	(2,830)
Loss (gain) from change in fair value of other financial assets measured at FVTPL, net	**9,277**	(114,208)
Gain on deemed disposal of an associate	**(28,847)**	–
Loss on disposal of property, plant and equipment	**1,838**	34
Other gain	**(16,100)**	–
Gain on termination of leases	**(8,109)**	–
Net exchange (gains) losses	**(83,506)**	16,198
Other income	**(7)**	–
Dividend income from other financial assets	**(245)**	–
Impairment loss, net of reversal – trade and other receivables	**47**	(342)
Share of loss (profit) of joint ventures	**1,550**	(35)
Share of losses of associates	**69,482**	48,498
Operating cash flows before movements in working capital	**(2,355,382)**	(185,519)
Increase in inventories	**(136,394)**	(154,823)
Decrease (increase) in trade receivables	**971,476**	(629,062)
Decrease (increase) in other assets, prepayments and other receivables	**330,624**	(250,010)
(Decrease) increase in trade and other payables	**(479,565)**	734,292
Increase (decrease) in deferred income	**1,047**	(19,170)
Cash used in operations	**(1,668,194)**	(504,292)
Income tax paid	**(107,131)**	(137,609)
NET CASH USED IN OPERATING ACTIVITIES	**(1,775,325)**	(641,901)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	NOTE	Year ended 31 December 2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES			
Interest received		**58,299**	30,979
Payments for acquisition of property, plant and equipment		**(383,101)**	(772,346)
Proceeds on disposal of property, plant and equipment		**1**	11
Payments for acquisition of intangible assets		**(10,851)**	(14,497)
Upfront payments for right-of-use assets		**–**	(99,385)
Payments for rental deposits		**(2,826)**	(19,774)
Release of rental deposits		**2,808**	3,663
Placement of restricted bank deposit		**(29,512)**	(2,033)
Release of restricted bank deposit		**459**	–
Net cash inflow on acquisition of a subsidiary	*38*	**2,220**	–
Investments in joint ventures		**(95,000)**	(15,000)
Investment in an associate		**(1,000)**	(425,084)
Acquisition of other financial assets		**(8,484)**	(1,169,620)
Proceeds from disposal of other financial assets		**–**	565,284
Dividend received		**245**	–
Repayment from a partner of a joint operation		**3,170**	1,176
Advance to a partner of a joint operation		**(4,047)**	(4,976)
Receipt of government grants related to property, plant and equipment		**–**	40,650
NET CASH USED IN INVESTING ACTIVITIES		**(467,619)**	(1,880,952)
FINANCING ACTIVITIES			
Proceeds from issue of H Shares		**–**	2,134,381
Payments for transaction costs for the issue of H Shares		**(612)**	(29,677)
Proceeds from issue of A Shares		**3,776,500**	–
Payments for transaction costs for the issue of A shares		**(28,944)**	–
New borrowings raised		**840,362**	500,000
Repayments of borrowings		**(113,445)**	(793,333)
Interest paid		**(25,551)**	(22,472)
Repayments for lease liabilities		**(40,815)**	(33,959)
Payment for acquisition of non-controlling interests		**(186,250)**	–
Capital contribution to a subsidiary by non-controlling shareholders		**386,000**	895,000
Proceeds from exercise of share options and RSUs		**35,764**	15,746
NET CASH FROM FINANCING ACTIVITIES		**4,643,009**	2,665,686

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,400,065**	142,833
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**3,504,605**	3,384,998
Effect of foreign exchange rate changes	**92,266**	(23,226)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCE AND CASH	**5,996,936**	3,504,605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

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

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

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendment to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendment to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

Amendment to IFRSs that are mandatorily effective for the current year (Continued)

Impacts on application of Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 Inventories.

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of 1 January 2021. The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.

[2] Effective for annual periods beginning on or after a date to be determined.

[3] Effective for annual periods beginning on or after 1 January 2024.

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

New and amendments to IFRSs in issue but not yet effective (Continued)

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in the paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on 1 January 2023. Upon application of amendments, the Group will recognise the related deferred tax assets and deferred tax liabilities in relation to the right-of-use assets and lease liabilities which are subject to the amendments, respectively. The application of the amendment will have no material impact on the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measured fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Change in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Investments in associates and joint ventures (Continued)

For the investments in associates and joint ventures in ordinary shares, the results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The Group does not apply equity method for other financial instruments in an associate or joint venture. These includes long-term interests (including investments in preference shares), in substance, form part of the net investments in associates or joint ventures. The Group applies IFRS 9 Financial Instruments to such long-term interests and the Group does not take account of any adjustments to the carrying amount of the long-term interests that arise from applying IAS 28. The associates and the joint ventures use accounting policies that differ from those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associates' and the joint ventures' accounting policies to those of the Group. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or the joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture in ordinary shares is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture accounted for using equity method may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Investments in associates and joint ventures (Continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group accounted for using equity method, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Interests in joint operations (Continued)

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Except for granting of a license that is distinct from other goods and services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue recognition

The Group recognises revenue from the following major sources:

(a) Sales of pharmaceutical products

Revenue is recognised when control of the goods has been transferred, being when the goods have been delivered to the customer's specific location. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Revenue recognition (Continued)

(b) Licensing income

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

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

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

(c) Service income

The Group primarily earns revenues by providing consulting and researching services to its customers through fee-for-service contracts. Contracts duration ranges from a few weeks to months.

Revenue is recognised at a point in time for fixed fee arrangements when performance obligation is completed and has a present right to payment for the services performed.

Revenue is recognised over time for time-based service income based on the time the Group spent as the Group does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Variable consideration

For contracts that contain variable consideration in relation to discount provided to customers and sales-based royalty from license agreement, the Group estimates the amount of consideration to which it will be entitled using the expected value method and the most likely amount respectively, which best predicts the amount of consideration to which the Group will be entitled.

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

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

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

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

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combination, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components unless such allocation cannot be made reliably.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

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

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave) after deducting any amount already paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Share-based payment

Equity-settled share-based payment transactions

Shares/share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve or RSU reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve and RSU reserve.

When share options or RSUs are exercised, the amount previously recognised in share option reserve or RSU reserve will be transferred to share premium. When the share options or RSUs are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve or RSU reserve will be transferred to share premium.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred taxes are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes and equipment under installation are carried at cost, less any recognised impairment losses. Cost include the depreciation of right-of-use assets provided during the construction period as part of costs of buildings under construction, and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable to operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure (Continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amounts of property, plant and equipment, right-of-use assets, intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents (represented by bank balances and cash presented on the consolidated statement of financial position) include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term deposits (generally with original maturity of three months or less). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Cash and cash equivalents (Continued)

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 23.

Inventories

Inventories (including raw materials acquired for usage in development activities) are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Trial batches manufactured prior to regulatory approval (including raw materials cost) is charged to research and development expenses when they are produced. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the revaluation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, deposits and other receivables, restricted bank deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with respective risks of default occurring as the weights. Except for debtors with significant balance not backed by bank bills which ECL are assessed individually, the Group uses a practical expedient in estimating ECL on trade receivables not backed by bank bills using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort. Debtors with trade receivables backed by bank bills are assessed individually taking into consideration of the credit rating and reputation of the bank issuing the bills.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered using provision matrix taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial assets.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Research and development expenses

Development expenses incurred on the Group's drug product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management of the Group will assess the progress of each of the research and development projects and determine the criteria met for capitalisation. All development expenses were expensed when incurred during the current and prior years.

Key sources of estimation uncertainty

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

Deferred tax assets

As at 31 December 2022, deferred tax assets of RMB228,427,000 (2021: RMB88,550,000) in relation to unused tax losses and other deductible temporary differences for certain operating subsidiaries has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on deductible temporary differences of 1,019,982,000 (2021: RMB451,455,000) and the tax losses of RMB6,057,295,000 (2021: RMB3,998,929,000) for loss-making subsidiaries due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Fair value measurement of financial instruments

As at 31 December 2022, certain of the Group's Level 3 unlisted equity investments, unlisted equity investments in partnership and investments in preference shares amounting to RMB697,740,000 (2021: RMB568,737,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 36b for further disclosures.

5. REVENUE AND SEGMENT INFORMATION

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major revenue sources:

	2022 RMB'000	2021 RMB'000
Timing of revenue recognition		
At a point in time		
Sale of pharmaceutical products	**752,755**	426,636
Licensing income	**476,475**	3,341,118
Service income	**6,029**	1,066
	1,235,259	3,768,820
Over time		
Service income	**218,234**	256,021
	1,453,493	4,024,841

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Sales of pharmaceutical products

Revenue from sales of pharmaceutical products is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 60 days (2021: 60 days) upon delivery.

The transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customers. All sales of goods are for a period of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Licensing income

Revenue is recognised at a point in time when the licensees has the ability to use the licences, achievement of certain milestones for milestone payments and upon the subsequent sales of antibodies product and therapeutic product for sales-based royalty.

During the year ended 31 December 2022, the Group recognised an option exercise payment from Coherus Biosciences Inc. ("Coherus") of RMB221,508,000 as licensing income during the period at a point in time when Coherus has the ability to use the license upon exercise of option. In addition, the Group recognised sales-based royalty amounting to RMB254,967,000 (2021: RMB1,111,734,000) according to the license agreement.

During the year ended 31 December 2021, the Group recognised upfront payment of RMB975,150,000 and milestone payments of RMB1,254,234,000 as licensing income upon the transfer of licenses and achievement of certain milestones pursuant the licensing agreements.

Service income

The Group provides research and development services ("R&D"). Service income is recognised either at a point in time or over time, depending on the type of service provided. Revenue under fixed fee arrangement is recognised at a point in time for the R&D delivered to the customers by the Group. Performance obligation for the time-based service income is satisfied over time based on the time the Group spent as the Group does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date according to the agreement. The normal credit term is 45-60 days (2021: 45-60 days) upon issuance of invoices.

The transaction price received by the Group is recognised as a contract liability until the services have been delivered to the customer. All sales of services are for a period of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

For the purpose of resources allocation and performance assessment, the Group's management, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. The Group has only one reportable segment. Accordingly, only geographical information and major customers are presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are located in the PRC and the USA.

Information about the Group's revenue from external customers is presented based on the location of customers.

	Revenue from external customers Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
The PRC	**758,667**	427,312
The USA	**694,826**	3,597,529
	1,453,493	4,024,841

Information about the Group's non-current assets, excluded non-current financial assets, restricted bank deposits and deferred tax assets, is presented based on the geographical location of the assets as below:

	Non-current assets As at 31 December	
	2022	2021
	RMB'000	RMB'000
The PRC	**4,199,886**	4,066,266
The USA	**32,871**	35,483
	4,232,757	4,101,749

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Eli Lilly and Company[1]	**254,967**	2,366,358
Coherus[2]	**439,742**	1,231,171

[1] Revenue from sales of pharmaceutical products and licensing income.

[2] Revenue from licensing income and service income.

6. OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Bank interest income	**61,018**	30,979
Government grants related to property, plant and equipment *(Note a)*	**1,451**	2,830
Other subsidies *(Note b)*	**32,738**	89,061
Others	**683**	892
	95,890	123,762

Notes:

(a) Amounts represent subsidies from the PRC government specifically for the capital expenditure incurred for the acquisition of buildings situated on leasehold land in the PRC and machineries, which is recognised as income over the estimated useful life of the respective assets.

(b) Amounts represent subsidies from PRC government for research and development activities, which are recognised as income upon meeting specific conditions and incentives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
(Loss) gain from change in fair value of other financial assets measured at FVTPL, net	**(9,277)**	114,208
Gain on deemed disposal of an associate *(Note 38)*	**28,847**	–
Loss on disposal of property, plant and equipment	**(1,838)**	(34)
Other gain *(Note)*	**16,100**	–
Gain on termination of leases	**8,109**	–
Exchange gains (losses), net	**50,052**	(39,937)
Dividend income from other financial assets	**245**	–
Others	**7**	–
	92,245	74,237

Note: During the year ended 31 December 2022, the Group has transferred developing research and development pipelines to an associate and recognised a gain of RMB16,100,000.

8. FINANCE COSTS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest on bank borrowings	**22,977**	16,053
Interest on lease liabilities	**6,393**	5,780
	29,370	21,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

9. LOSS BEFORE TAX

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss before tax has been arrived at after charging:		
Auditor's remuneration	**3,270**	3,330
Depreciation of property, plant and equipment	**242,802**	224,834
Less: amounts capitalised in the cost of construction in progress	**(10,187)**	(9,009)
	232,615	215,825
Depreciation of right-of-use assets	**54,612**	44,964
Less: amounts capitalised in the cost of construction in progress	**(3,495)**	(3,495)
	51,117	41,469
Amortisation for intangible assets	**9,922**	5,265
Donation expenses (included in other expenses)	**11,753**	25,734
Cost of inventories recognised as an expense (including allowance for inventories of RMB21,974,000 (2021: RMB13,647,000)):		
– Cost of sales	**275,191**	135,976
– Research and development expenses	**352,465**	473,595
Staff costs (including directors' emoluments):		
– Salaries and other benefits	**1,176,624**	1,014,026
– Retirement benefit scheme contributions	**95,238**	120,479
– Share-based payment expenses	**93,282**	194,808
Less: amounts capitalised in the cost of construction in progress	**(23,538)**	(12,093)
amounts included in the cost of inventories	**(76,780)**	(82,113)
	1,264,826	1,235,107

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. INCOME TAX (CREDIT) EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current tax		
United States withholding tax	**46,770**	197,970
Deferred tax *(Note 28)*	**(139,877)**	(62,437)
	(93,107)	135,533

Under the Law of the PRC Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the Company and its PRC subsidiaries is 25% for both years.

The Company and its wholly-owned subsidiaries, Suzhou Union Biopharm Co., Ltd.* 蘇州眾合生物醫藥科技有限公司 and Shanghai Junshi Biotechnology Co., Ltd.* 上海君實生物工程有限公司 have been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Shanghai and relevant authorities on 18 November 2020, 30 November 2021 and 23 December 2021 for a term of three years from 2020 to 2022, 2021 to 2023 and 2021 to 2023 respectively, and has been registered with the local tax authorities for enjoying the reduced 15% EIT rate. Accordingly, the profit derived by the Company and the subsidiary is subject to 15% EIT rate for the reporting period. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authorities in the PRC for every three years.

TopAlliance Biosciences Inc., a wholly-owned subsidiary of the Company, is subject to the US California Corporate Income Tax rate of 8.84% (2021: 8.84%) for the year ended 31 December 2022. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

In addition, the Company is subject to United States withholding tax on licensing income received from USA-based customers amounting to RMB46,770,000 (2021: RMB197,970,000) during the year ended 31 December 2022. During the year ended 31 December 2022, effective tax rate ranges from 9% to 10% (2021: from 6% to 10%).

Except for United States withholding tax, no provision for taxation in the PRC, United States and other jurisdictions has been made as those subsidiaries has no assessable profit for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. INCOME TAX (CREDIT) EXPENSE (CONTINUED)

The income tax (credit) expense for the year can be reconciled to loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss before tax	**(2,675,202)**	(592,648)
Tax credit at the PRC EIT rate of 25% (2021: 25%)	**(668,800)**	(148,162)
Tax effect of share of losses (profits) of joint ventures	**388**	(9)
Tax effect of share of losses of associates	**17,371**	12,124
Tax effect of income not taxable for tax purpose	**(2,894)**	(28,233)
Tax effect of expenses not deductible for tax purpose	**62,945**	106,849
Tax effect of research and development expenses that are additionally deducted *(Note)*	**(216,036)**	(176,789)
Tax effect on other deductible temporary differences not recognised	**153,352**	41,943
Utilisation of deductible temporary differences not recognised	**(11,220)**	(25,658)
Tax effect of tax losses not recognised	**523,422**	119,262
Income tax at concessionary rate	**1,595**	36,236
United States withholding tax	**46,770**	197,970
Income tax (credit) expense	**(93,107)**	135,533

Note: Pursuant to Caishui [2022] circular No. 28 in 2022 and Caishui [2018] circular No. 99 in 2018 and Caishui [2021] circular No. 6 in 2021, the Company and certain subsidiaries enjoy super deduction of 175% and 200% (2021: 175% and 200%) on qualifying and research and development expenditures for the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11. LOSS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(2,386,067)**	(718,557)

Number of shares:

	Year ended 31 December	
	2022	2021
Weighted average number of ordinary shares for the purpose of basic loss per share	**917,465,166**	892,659,689

The weighted average number of ordinary shares for the purpose of basic earning per share for the year ended 31 December 2022 has been adjusted for the issuance of 1,845,200 and 269,740 shares upon the exercise of share options on 5 July 2022 and exercise of RSUs on 1 November 2022, respectively, and the issuance of 70,000,000 new A shares on 2 December 2022.

(b) Diluted

The computation of diluted loss per share for the years ended 31 December 2022 and 31 December 2021 do not assume the exercise of the Company's outstanding share options and RSUs as this would result in a decrease in loss per share. Accordingly, diluted loss per share for the years ended December 31, 2022 and 2021 are the same as basic loss per share for the respective year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

Directors and supervisors

Details of the emoluments paid or payable to the directors and the chief executive and supervisors of the Company for the services provided to the Group during both years are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Performance bonus RMB'000 *(Note i)*	Retirement benefit scheme contributions RMB'000	Subtotal RMB'000	Share-based payment expenses RMB'000	Total RMB'000
For the year ended 31 December 2022							
Chief executive and executive director							
Dr. Li Ning	–	7,275	1,881	–	9,156	5,611	14,767
Executive directors							
Mr. Xiong Jun	–	4,018	1,081	122	5,221	2,949	8,170
Dr. Feng Hui	–	4,196	667	133	4,996	2,949	7,945
Mr. Zhang Zhuobing	–	3,658	983	122	4,763	2,949	7,712
Dr. Yao Sheng	–	4,275	734	–	5,009	7,193	12,202
Mr. Li Cong	–	4,203	–	–	4,203	–	4,203
Dr. Zou Jianjun *(Note a)*	–	4,238	–	86	4,324	–	4,324
Non-executive directors							
Dr. Wu Hai	–	2,296	–	–	2,296	–	2,296
Mr. Tang Yi	–	–	–	–	–	–	–
Mr. Lin Lijun *(Note b)*	–	–	–	–	–	–	–
Supervisors							
Ms. Wang Pingping	–	–	–	–	–	–	–
Mr. Wu Yu	–	–	–	–	–	–	–
Ms. Huo Yilian	–	286	45	79	410	–	410
Independent non-executive directors							
Dr. Chen Lieping	4,462	–	–	–	4,462	–	4,462
Dr. Feng Xiaoyuan	209	–	–	–	209	–	209
Mr. Qian Zhi	200	–	–	–	200	–	200
Dr. Roy Steven Herbst	2,001	–	–	–	2,001	–	2,001
Mr. Zhang Chun	200	–	–	–	200	–	200
	7,072	34,445	5,391	542	47,450	21,651	69,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Directors and supervisors (Continued)

	Fees RMB'000	Salaries and other benefits RMB'000	Performance bonus RMB'000 *(Note i)*	Retirement benefit scheme contributions RMB'000	Subtotal RMB'000	Share-based payment expenses RMB'000	Total RMB'000
For the year ended 31 December 2021							
Chief executive and executive director							
Dr. Li Ning	–	7,288	18,748	–	26,036	12,333	38,369
Executive directors							
Mr. Xiong Jun	–	3,873	1,205	115	5,193	6,483	11,676
Dr. Feng Hui	–	3,527	645	67	4,239	6,483	10,722
Mr. Zhang Zhuobing	–	3,526	1,096	115	4,737	6,483	11,220
Dr. Yao Sheng	–	3,807	645	–	4,452	15,811	20,263
Mr. Li Cong *(Note c)*	–	350	–	–	350	–	350
Non-executive directors							
Dr. Wu Hai	–	2,205	–	–	2,205	–	2,205
Mr. Tang Yi	–	–	–	–	–	–	–
Mr. Li Cong *(Note c)*	–	–	–	–	–	–	–
Mr. Yi Qingqing *(Note d)*	–	–	–	–	–	–	–
Mr. Lin Lijun	–	–	–	–	–	–	–
Supervisors							
Ms. Wang Pingping	–	–	–	–	–	–	–
Mr. Wu Yu	–	–	–	–	–	–	–
Ms. Huo Yilian *(Note e)*	–	130	–	42	172	–	172
Ms. Li Ruolin *(Note f)*	–	118	120	28	266	–	266
Mr. Liu Jun *(Note f)*	–	–	–	–	–	–	–
Mr. Fu Cexiong *(Note f)*	–	508	118	9	635	–	635
Independent non-executive directors							
Dr. Chen Lieping	5,160	–	–	–	5,160	–	5,160
Dr. Feng Xiaoyuan *(Note g)*	–	–	–	–	–	–	–
Mr. Qian Zhi	200	–	–	–	200	–	200
Dr. Roy Steven Herbst	1,935	–	–	–	1,935	–	1,935
Dr. Jiang Hualiang *(Note h)*	480	–	–	–	480	–	480
Mr. Zhang Chun	200	–	–	–	200	–	200
	7,975	25,332	22,577	376	56,260	47,593	103,853

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12. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Directors and supervisors (Continued)

Notes:

(a) Dr. Zou Jianjun was appointed as executive director of the Company in June 2022 and was appointed as deputy general manager of the Company in April 2022. Her emoluments disclosed above included those services rendered by her as the executive director.

(b) Mr. Lin Lijun resigned as non-executive director in December 2022.

(c) Mr. Li Cong was redesignated from non-executive director to executive director in November 2021. The salary and other benefits represent emoluments served as executive director.

(d) Mr. Yi Qingqing resigned as non-executive director in June 2021.

(e) Ms. Huo Yilian was appointed as supervisor in June 2021.

(f) Ms. Li Ruolin, Mr. Liu Jun and Mr. Fu Cexiong retired from or resigned as supervisors in June 2021. The salary and other benefits represent emoluments for the year ended 31 December 2021 served as supervisors.

(g) Dr. Feng Xiaoyuan was appointed as independent non-executive director in December 2021.

(h) Dr. Jiang Hualiang resigned as independent non-executive director in August 2021.

(i) The performance bonus are determined by the board of directors based on the Group's performance for the years ended 31 December 2022 and 2021.

The executive directors' and supervisors' emoluments shown above were for their services in connection with the management or supervision of the affairs of the Company and the Group.

The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or chief executive waived or agreed to waive any remunerations during both years.

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For the year ended 31 December 2022

12. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Employees

The five highest paid individuals of the Group during the year included three (2021: four) directors, chief executive and supervisors of the Company.

Details of their emoluments are set out above. The emoluments of the remaining two (2021: one) highest paid employees who are neither a director nor chief executive nor supervisor of the Company are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries and other benefits	**8,795**	3,354
Performance bonus	**5,514**	2,580
Share-based payment expenses	**4,568**	7,906
	18,877	13,840

Emoluments of the five highest paid individuals fell within the following bands:

	Year ended 31 December	
	2022	2021
HK$9,500,001 to HK$10,000,000	**1**	–
HK$10,000,001 to HK$10,500,000	**1**	–
HK$11,500,001 to HK$12,000,000	**1**	–
HK$13,500,001 to HK$14,000,000	**–**	1
HK$14,000,001 to HK$14,500,000	**1**	1
HK$16,500,001 to HK$17,000,000	**–**	1
HK$17,000,001 to HK$17,500,000	**1**	–
HK$24,000,001 to HK$24,500,000	**–**	1
HK$46,000,001 to HK$46,500,000	**–**	1

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

13. DIVIDENDS

No dividend was paid or declared by the Company during the years ended 31 December 2022 and 2021, nor has any dividend been declared since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT

	Properties situated on leasehold land in the PRC	Machinery	Furniture, fixtures and equipment	Vehicles	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2021	886,448	914,273	304,757	34,398	26,535	417,348	2,583,759
Additions	2,445	1,015	60,286	4,148	30,489	509,505	607,888
Transfer	13,168	45,135	63,436	–	–	(121,739)	–
Disposals	(2,986)	(10)	(950)	–	–	–	(3,946)
Exchange realignment	–	–	63	–	–	–	63
At 31 December 2021	899,075	960,413	427,592	38,546	57,024	805,114	3,187,764
Additions	1,017	1,069	8,954	7,659	7,763	472,913	499,375
Acquired on acquisition of a subsidiary *(Note 38)*	–	–	127	–	786	–	913
Transfer	141,944	17,435	66,332	–	–	(225,711)	–
Disposals	(2,047)	(194)	(5,680)	–	–	(4,131)	(12,052)
Exchange realignment	–	–	(18)	–	–	–	(18)
At 31 December 2022	**1,039,989**	**978,723**	**497,307**	**46,205**	**65,573**	**1,048,185**	**3,675,982**
DEPRECIATION							
At 1 January 2021	34,985	102,293	68,651	16,376	13,299	–	235,604
Provided for the year	42,494	88,619	71,787	6,001	15,933	–	224,834
Disposals	(162)	(10)	(328)	–	–	–	(500)
Exchange realignment	–	–	17	–	–	–	17
At 31 December 2021	77,317	190,902	140,127	22,377	29,232	–	459,955
Provided for the year	44,334	90,800	88,639	5,930	13,099	–	242,802
Disposals	(424)	(92)	(5,568)	–	–	–	(6,084)
Exchange realignment	–	–	(18)	–	–	–	(18)
At 31 December 2022	**121,227**	**281,610**	**223,180**	**28,307**	**42,331**	**–**	**696,655**
CARRYING VALUES							
At 31 December 2022	**918,762**	**697,113**	**274,127**	**17,898**	**23,242**	**1,048,185**	**2,979,327**
At 31 December 2021	821,758	769,511	287,465	16,169	27,792	805,114	2,727,809

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis after taking into account of the residual value as follows:

Properties situated on leasehold land in the PRC	4.75% per annum
Machinery	9.50% – 31.67% per annum
Furniture, fixtures and equipment	19.00% – 31.67% per annum
Vehicles	19.00% – 31.67% per annum
Leasehold improvement	33.33% – 50.00% per annum

As at 31 December 2022, certain of the Group's property, plant and equipment with an aggregate carrying amount of RMB672,430,000 (2021: RMB664,538,000) have been pledged to secure bank borrowings (Note 25) granted to the Group.

The Group has obtained the property ownership certificate for all properties except for certain properties with carrying amount RMB228,955,000(2021: RMB93,243,000) in which the Group is in the process of obtaining.

15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Machinery RMB'000	Total RMB'000
As at 31 December 2022				
Carrying amount	**217,182**	**75,645**	**6,302**	**299,129**
As at 31 December 2021				
Carrying amount	224,729	117,254	–	341,983
For the year ended 31 December 2022				
Depreciation charge	**7,547**	**46,095**	**970**	**54,612**
For the year ended 31 December 2021				
Depreciation charge	5,725	39,239	–	44,964

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15. RIGHT-OF-USE ASSETS (CONTINUED)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Expenses relating to short-term leases	**4,104**	4,233
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	**49**	248
Total cash outflow for leases	**51,361**	143,605
Additions to right-of-use assets	**88,537**	200,708

For both years, the Group leases leasehold lands and leased properties for its operations. Except for lease contracts for leasehold lands which are entered into for a fixed term of 20 to 50 years, lease contracts for leased properties are entered into for fixed term of one to five years (2021: one to five years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group, owns several industrial buildings where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for properties. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

As at 31 December 2022, certain of the Group's right-of-use assets with an aggregate carrying amount of RMB146,166,000 (2021: RMB55,611,000) have been pledged to secure bank borrowings (Note 25) granted to the Group.

As at 31 December 2022, the Group did not enter into new leases that have not yet commenced (2021: the Group did not enter into new leases that have not yet commenced).

Details of the lease maturity analysis of lease liabilities are set out in Note 27 and 36b.

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16. INTANGIBLE ASSETS

	Computer software RMB'000	In-license RMB'000 *(Note)*	Patent RMB'000	Technical know-how RMB'000	Total RMB'000
COST					
At 1 January 2021	14,394	19,811	98	–	34,303
Additions	14,497	–	–	–	14,497
At 31 December 2021	28,891	19,811	98	–	48,800
Acquired on acquisition of a subsidiary *(Note 38)*	–	–	–	57,733	57,733
Additions	10,682	–	766	–	11,448
At 31 December 2022	**39,573**	**19,811**	**864**	**57,733**	**117,981**
AMORTISATION					
At 1 January 2021	3,277	–	7	–	3,284
Charge for the year	5,253	–	12	–	5,265
At 31 December 2021	8,530	–	19	–	8,549
Charge for the year	7,823	–	79	2,617	10,519
At 31 December 2022	**16,353**	**–**	**98**	**2,617**	**19,068**
CARRYING VALUES					
At 31 December 2022	**23,220**	**19,811**	**766**	**55,116**	**98,913**
At 31 December 2021	20,361	19,811	79	–	40,251

The above intangible assets with finite useful lives are amortised on a straight-line basis as follow:

Computer software	20% – 50% per annum
Patent	10% per annum
Technical know-how	5% per annum

Note: In 2020, the Group entered into an in-license agreement with an independent third party under which the Group was granted a world-wide exclusive, sub-licensable license to use certain technology, for the purpose of conducting preclinical development, clinical research and commercialisation of certain drug. The Group paid an upfront payment of RMB19,811,000 and such payment was capitalised as intangible asset. The management is of the view that the intangible asset is not yet available for use.

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17. INTERESTS IN JOINT VENTURES

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of investments in joint ventures	**111,000**	16,000
Share of post-acquisition (losses) profits	**(1,494)**	56
	109,506	16,056

On 28 February 2022, the Group invested 50% interest in Shanghai Lijing Biosciences Technology Limited (上海禮境生物醫藥科技有限公司) ("Shanghai Lijing") at a total consideration of RMB80,000,000. The principal activities of Shanghai Lijing are engaged in technical services, technological development, drug production, wholesale of drugs and commissioned production of drugs.

During the year ended 31 December 2022, the Group has made a capital injection of RMB15,000,000 to the joint venture Suzhou Kebo Ruijun Biosciences Co., Ltd.* (蘇州科博瑞君生物醫藥科技有限公司).

Details of the Group's interests in joint ventures are as follows:

Name of entities	Form of entity	Country of establishment	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
				As at 31 December 2022	As at 31 December 2021	**As at 31 December 2022**	As at 31 December 2021	
Beijing Tianshi Pharmaceutical Technology Co., Ltd.* (北京天實醫藥科技有限公司)	Limited liability company	The PRC	The PRC	**50%**	50%	**50%**	50%	Inactive
Suzhou Kebo Ruijun Biosciences Co., Ltd.*	Limited liability company	The PRC	The PRC	**50%**	50%	**50%**	50%	Discovery, development and commercialisation of innovative drugs
Shanghai Lijing Biosciences Technology Limited.*	Limited liability company	The PRC	The PRC	**50%**	N/A	**50%**	N/A	Discovery, development and commercialisation of innovative drugs

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with IFRSs.

All of these joint ventures are accounted for using equity method in these consolidated financial statements.

*Shanghai Lijing Biosciences Technology Limited.**

	At 31 December 2022 RMB'000
Current assets	80,202
Current liabilities	(1)

	Year ended 31 December 2022 RMB'000
Revenue	–
Loss and total comprehensive expense for the year	(798)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of material joint ventures (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	At 31 December 2022 RMB'000
Net assets of Shanghai Lijing	**80,201**
Proportion of the Group's ownership interest in Shanghai Lijing	**50%**
The Group's share of net assets of Shanghai Lijing	**40,101**
Adjustment on committed capital contribution from the investor	**39,500**
Carrying amount of the Group's interest in Shanghai Lijing	**79,601**

The management of the Group considers the operation and performance of Shanghai Lijing is in accordance with the business plan of discovery, development and commercialisation of innovative drugs. Therefore, there is no indicator for impairment for Shanghai Lijing.

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

Aggregate information of joint ventures that are not individually material

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
The Group's share of (loss) profit and total comprehensive (expense) income	**(1,151)**	35
Aggregate carrying amount of the Group's interests in these joint ventures	**29,905**	16,056

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For the year ended 31 December 2022

18. INTERESTS IN ASSOCIATES

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of investments in associates	**518,061**	495,930
Share of post-acquisition losses	**(113,791)**	(50,857)
Less: elimination of unrealised intercompany transactions	**(16,100)**	–
Exchange realignment	**(5,037)**	(3,337)
	383,133	441,736

During the year ended 31 December 2022, the Group invested into an associate Suzhou Junjing Biosciences Co., Ltd.* (蘇州君境生物醫藥科技有限公司) ("Suzhou Junjing") with the investment cost amounted to RMB12,000,000. Subsequent to the initial investment, the Group acquired additional 1% equity interest in an associate Suzhou Junjing by capital injection of RMB2,000,000. Upon completion of acquisition, Suzhou Junjing has become a subsidiary of the Group. The carrying amount of the Group's interest in the associate immediately before the deemed disposal was RMB20,153,000. The details are set out in Note 38.

During the year ended 31 December 2022, the Group invested into an associate Junshi Risen (Shanghai) Pharmaceutical Technology Co., Ltd.* (君實潤佳(上海)醫藥科技有限公司) ("JRPT") by transferring the developing research and development pipelines to the associate with the investment cost amounted to RMB32,200,000.

During the year ended 31 December 2022, the Group made an investment of RMB1,000,000 to the associate Hainan Junshi Phase I Equity Investment Fund Partnership (Limited Partnership)* (海南君實一期股權投資基金合夥企業(有限合夥))("Junshi Phase I Fund").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. INTERESTS IN ASSOCIATES (CONTINUED)

Details of each of the Group's principal associates at the end of the reporting period are as follow:

Name of entities	Form of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
				As at 31 December 2022	As at 31 December 2021	As at 31 December 2022	As at 31 December 2021	
Anwita Biosciences, Inc. ("Anwita")	Limited liability company	The USA	The USA	19.53% *(Note a)*	19.53% (Note a)	19.53% *(Note a)*	19.53% *(Note a)*	Discovery, development and commercialisation of innovative drugs
Shanghai Junpai Yingshi Pharmaceutical Co., Ltd.* ("JPYP") (上海君派英實藥業有限公司)	Limited liability company	The PRC	The PRC	50%	50%	50%	50%	Discovery, development and commercialisation of innovative drugs
JRPT	Limited liability company	The PRC	The PRC	50%	50%	50%	50%	Discovery, development and commercialisation of innovative drugs
Shanghai Junshi Xihai Biotechnology Co., Ltd.* (上海君實西海生物科技有限公司)	Limited liability company	The PRC	The PRC	50%	50%	50%	50%	Inactive

Notes:

(a) The Group has significant influence over the investee as one out of five members in the board of directors is designated by the Group.

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For the year ended 31 December 2022

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

All of these associates are accounted for using equity method in these consolidated financial statements.

Anwita

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Current assets	**77,295**	180,318
Non-current assets	**68,259**	38,410
Current liabilities	**(20,768)**	(51,957)
Non-current liabilities	**(459)**	(412)

	Year ended 31 December 2022	Year ended 31 December 2021
	RMB'000	RMB'000
Revenue	**177**	40,077
Loss and total comprehensive expense for the year	**(50,738)**	(15,189)

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For the year ended 31 December 2022

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate (Continued)

Anwita (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Net assets of Anwita	**124,327**	166,359
Proportion of the Group's ownership interest in Anwita	**19.53%**	19.53%
The Group's share of net assets of Anwita	**24,281**	32,490
Goodwill	**75,115**	75,115
Exchange adjustments	**(5,037)**	(3,337)
Carrying amount of the Group's interest in Anwita	**94,359**	104,268

JPYP

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Current assets	**70,421**	153,865
Non-current assets	**394,681**	430,559
Current liabilities	**(49,040)**	(64,847)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate (Continued)

JPYP (Continued)

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Revenue	–	–
Research and development expenses	(106,255)	(77,188)
Loss and total comprehensive expense for the year	(103,515)	(80,422)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Net assets of JPYP	416,062	519,577
Proportion of the Group's ownership interest in JPYP	50%	50%
Carrying amount of the Group's interest in JPYP	208,031	259,789

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate (Continued)

JRPT

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Current assets	**34,584**	39,322
Non-current assets	**64,416**	–
Current liabilities	**(5,502)**	(2,009)

	Year ended 31 December 2022	Year ended 31 December 2021
	RMB'000	RMB'000
Revenue	**–**	–
Research and development expenses	**(11,875)**	(2,490)
Loss and total comprehensive expense for the year	**(12,079)**	(2,687)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate (Continued)

JRPT (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Net assets of JRPT	**93,498**	37,313
Proportion of the Group's ownership interest in JRPT	**50%**	50%
The Group's share of net assets of JRPT	**46,749**	18,657
Less: Elimination of unrealised intercompany transactions	**(16,100)**	–
Carrying amount of the Group's interest in JRPT	**30,649**	18,657

The management of the Group considers the operation and performance of Anwita, JPYP and JRPT is in accordance with the business plan of discovery, development and commercialisation of innovative drugs. Therefore, there is no indicator for impairment for Anwita, JPYP and JRPT.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
The Group's share of losses and total comprehensive expense for the year	**(905)**	(5,322)
Aggregate carrying amount of the Group's interests in these associates	**50,094**	59,022

19. INVENTORIES

	At 31 December	
	2022 RMB'000	2021 RMB'000
Raw materials	**338,942**	353,059
Work in progress	**219,213**	102,665
Finished goods	**40,866**	28,877
	599,021	484,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

20. TRADE RECEIVABLES

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables	**232,743**	1,285,243
Trade receivables backed by bank bills	**–**	7,690
	232,743	1,292,933
Less: Allowance for credit losses	**(18)**	–
	232,725	1,292,933

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

As at 1 January 2021, the trade receivables from contracts with customers amounted to RMB663,323,000.

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

	At 31 December	
	2022	2021
	RMB'000	RMB'000
0 – 30 days	**232,364**	1,285,217
31 – 90 days	**361**	26
Over 180 days	**–**	7,690
	232,725	1,292,933

As at 31 December 2022 and 2021, no trade receivables are past due.

As at 31 December 2021, total bank bills received amounting to RMB7,690,000 were held by the Group for future settlement of trade receivables. All bills received by the Group were with a maturity period of less than one year.

Details of impairment assessment of trade receivables and trade receivables backed by bank bills are set out in Note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

21. OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Deposits		
– current	**17,933**	13,780
– non-current	**15,238**	16,796
Prepayments		
– current *(Note a)*	**239,822**	397,383
– non-current *(Note b)*	**293,562**	351,534
Amount due from a partner of a joint operation *(Note c)*		
– current	**5,853**	4,976
Deposits in relation to use right of lands *(Note d)*		
– current	**–**	7,719
– non-current	**11,579**	11,579
Interest receivables		
– current	**2,719**	–
Value added tax ("VAT") recoverable *(Note e)*		
– current	**79,424**	125,873
– non-current	**42,370**	154,005
	708,500	1,083,645
Less: Allowance for credit losses	**(614)**	(590)
	707,886	1,083,055
Analysis as		
– current	**345,137**	549,141
– non-current	**362,749**	533,914
	707,886	1,083,055

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

21. OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Notes:

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

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

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

(d) In November 2021, the Group paid a refundable and interest-bearing deposit amounting to RMB19,298,000 for acquiring the use right of lands located in Shanghai to Shanghai Zhangjiang Science City Construction Management Office. 40% of the deposit of RMB7,719,000 was refunded upon the initiation of the construction of the facility. The remaining 60% of the deposit of RMB11,579,000 will be refunded upon completion of the construction.

(e) Included in VAT recoverable are RMB79,424,000 (2021: RMB125,873,000) presented as current assets as at 31 December 2022 since they are expected to be deducted from future VAT payable arising on the Group's revenue which are expected to be generated within the next twelve months from the end of the reporting period. The remaining VAT recoverable of RMB42,370,000 (2021: RMB154,005,000) are therefore presented as non-current assets as at 31 December 2022.

Details of impairment assessment of other receivables are set out in Note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

22. OTHER FINANCIAL ASSETS

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current assets		
Financial assets measured at FVTPL		
– Unlisted equity investments in partnership *(Note a)*	**156,235**	155,218
– Unlisted equity investments *(Note b)*	**12,182**	46,664
– Investments in preference shares *(Note c)*	**604,323**	551,651
– Warrant *(Note d)*	**–**	20,000
	772,740	773,533
Financial asset designated as FVTOCI *(Note e)*	**137,457**	253,575
	910,197	1,027,108

Notes:

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

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

(c) The amounts represent investments in preference shares in unlisted entities established in the PRC, the USA and the Cayman Islands, which are mainly engaged in drug discovery. For the investment in preference shares in an unlisted entity established in the Cayman Islands with fair value of RMB92,163,000 (2021: RMB78,569,000), one out of seven members in the board of directors is designated by the Group.

(d) The amount represented investment in a warrant amounted to RMB20,000,000 for the right to subscribe 4,687,301 preference shares of an investee. During the year ended 31 December 2022, the Group exercised its right to acquire the preference shares of the investee.

(e) The amount represents equity investment in Coherus, whose shares are listed in the USA. The investment is not held for trading; instead, it is held for long-term strategic purpose. The management of the Group have elected to designate these investments in equity instruments as at FVTOCI.

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For the year ended 31 December 2022

23. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank deposits represent the deposits restricted for settlement to the supplier for acquisition of equipment. The restricted bank deposits amounted to RMB1,574,000 and RMB29,512,000 will be released on February 2023 and June 2023, respectively. As at 31 December 2021, restricted bank deposits amounted to RMB459,000 and RMB1,574,000 will be released on January 2022 and September 2023, respectively.

Bank balances and cash of the Group comprised of cash and short-term bank deposits with an original maturity of three months or less. Bank balances carrying interest at market rates which ranged from 0.0001% to 4.12% per annum at 31 December 2022 (2021: from 0.0001% to 3.66% per annum).

Details of the impairment assessment of restricted bank deposits and bank balances are set out in Note 36.

24. TRADE AND OTHER PAYABLES

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables	**281,600**	196,205
Accrued expenses in respect of:		
– construction costs of construction in progress	**133,382**	89,874
– research and development expenses *(Note a)*	**415,751**	227,709
– selling and distribution expenses	**65,783**	64,569
– others	**75,205**	54,149
Payment to licensor *(Note b)*	**69,097**	932,509
Payment to a collaboration party under collaboration agreement *(Note c)*	**16,639**	15,742
Salary and bonus payables	**191,903**	213,777
Other tax payables	**35,187**	20,579
Payable for transaction costs for the issue of new shares	**2,898**	757
Other payables	**50,955**	91,653
	1,338,400	1,907,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

24. TRADE AND OTHER PAYABLES (CONTINUED)

As at 31 December 2021, included in trade payables and other payables were of related-parties payables RMB8,400,000 and RMB1,224,000 to Shanghai Ruotuo Biotechnology Co., Ltd. ("Ruotuo Bio") and Jiangsu Ruihe Environmental Engineering Research Centre Co., Ltd ("Ruihe") for service fee payables and construction payables. Ruotuo Bio is a subsidiary of the associate the Group invested in, Anwita and one of the Company's director, Tang Yi is also the director of Ruihe. There is no payable due to related parties as at 31 December 2022.

Payment terms with suppliers are mainly with credit term of 0 days to 90 days (2021: 15 days to 60 days) from the time when the goods and services are received from the suppliers.

The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
0 – 30 days	**87,591**	143,117
31 – 60 days	**66,244**	32,625
61 – 180 days	**72,321**	13,473
Over 180 days	**55,444**	6,990
	281,600	196,205

Notes:

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

(b) Amount represents the accrual on license income payable to licensor at the end of reporting period, which is repayable upon 30 days after issuance of invoice.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

25. BORROWINGS

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Bank borrowings		
– secured	**797,783**	500,596
– unsecured	**433,549**	–
	1,231,332	500,596
The maturity profile of bank borrowings is as follows:		
– within one year	**391,750**	10,596
– within a period of more than one year but not exceeding two years	**84,836**	30,000
– within a period of more than two years but not exceeding five years	**397,708**	220,000
– within a period of more than five years	**357,038**	240,000
	1,231,332	500,596
Less: Amount due within one year shown under current liabilities	**(391,750)**	(10,596)
Amount shown under non-current liabilities	**839,582**	490,000

All bank borrowings are denominated in RMB as at 31 December 2022 and 2021.

The exposure of the Group's borrowings are as follows:

	2022	2021
	RMB'000	RMB'000
Fixed-rate borrowings	**351,362**	–
Variable-rate borrowings	**879,970**	500,596
	1,231,332	500,596

The Group's variable-rate borrowings carry interest at Loan Prime Rate ("LPR") minus a margin, ranging from 0.45% to 0.85% (2021: 0.75%) per annum.

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25. BORROWINGS (CONTINUED)

The effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	At 31 December	
Effective interest rate:	**2022**	2021
Fixed-rate bank borrowings	**1.9% – 2% per annum**	N/A
Variable-rate bank borrowings	**3.7% – 3.9% per annum**	3.9% per annum

The Group has pledged the following assets as securities for the Group's bank borrowings at the end of reporting period:

	2022	2021
	RMB'000	RMB'000
Property, plant and equipment	**672,430**	664,538
Right-of-use assets	**146,166**	55,611
	818,596	720,149

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26. DEFERRED INCOME

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants related to property, plant and equipment *(Note a)*	**107,875**	109,326
Other subsidies *(Note b)*	**14,180**	13,133
	122,055	122,459
Analysis as:		
– current	**440**	3,683
– non-current	**121,615**	118,776

Notes:

(a) The Group received government grants for capital expenditure incurred for the acquisition of buildings situated on leasehold land in the PRC and machineries. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

(b) Other subsidies are generally provided in relation to the research and development activities of the Group which are recognised as income upon meeting the specific conditions.

27. LEASE LIABILITIES

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**43,664**	34,472
Within a period of more than one year but not more than two years	**30,712**	34,031
Within a period of more than two years but not more than five years	**15,873**	59,096
	90,249	127,599
Less: Amount due for settlement with 12 months shown under current liabilities	**(43,664)**	(34,472)
Amount due for settlement after 12 months shown under non-current liabilities	**46,585**	93,127

The weighted average incremental borrowing rate applied to lease liabilities is 4.54% (2021: 5.22%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. DEFERRED TAXATION

The following is a summary of the deferred tax balances for financial reporting purposes:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Deferred tax assets	**228,427**	88,550

The following are the major deferred tax assets recognised and movements thereon before offsetting during the current and prior years.

	ECL provision	**Allowance for inventories**	**Deferred income**	**Unused tax losses**	**Unrealised gains of intercompany sales inventories**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	6	468	822	24,817	–	26,113
Credited to profit or loss	23	2,099	1,388	58,927	–	62,437
At 31 December 2021	29	2,567	2,210	83,744	–	88,550
Credited to profit or loss	5	611	(12)	135,910	3,363	139,877
At 31 December 2022	**34**	**3,178**	**2,198**	**219,654**	**3,363**	**228,427**

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28. DEFERRED TAXATION (CONTINUED)

As at 31 December 2022, the Group had deductible temporary differences and unused tax losses of RMB1,056,038,000 (2021: RMB483,490,000) and RMB7,172,970,000 (2021: RMB4,557,225,000), respectively, available for offset against future profits. A deferred tax asset has been recognised in respect of RMB36,056,000 (2021: RMB32,035,000) and RMB1,115,675,000 (2021: RMB558,296,000) of such deductible temporary differences and tax losses respectively as at 31 December 2022. Balance of deductible temporary differences and unused tax losses for which no deferred tax assets have been recognised due to the unpredictability of future profit streams are as follows:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Accrued expenses	**698,709**	225,816
Share-based payment expenses	**280,437**	205,846
Deferred income	**13,804**	14,132
Tax losses	**6,057,295**	3,998,929
Others	**27,032**	5,661
	7,077,277	4,450,384

The unrecognised unused tax losses for the PRC subsidiaries of RMB5,990,659,000 (2021: RMB3,921,172,000) will be expired in next ten years.

At the end of reporting period, the Group has an accumulated operating loss in the USA subsidiary of RMB66,636,000 (2021: RMB77,757,000) that are available to offset future profits. All tax losses may carry forward indefinitely but subject to certain limitations.

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29. SHARE CAPITAL

	Total number of shares	Amount RMB'000
Registered, issued and fully paid at RMB1.0 per share:		
At 1 January 2021	872,496,000	872,496
H shares issued on the Stock Exchange *(Note a)*	36,549,200	36,549
Exercise of share options *(Note 31)*	1,711,500	1,712
At 31 December 2021	910,756,700	910,757
A shares issued on the STAR Market *(Note b)*	70,000,000	70,000
Exercise of share options *(Note 31)*	1,845,200	1,845
Exercise of RSUs *(Note 31)*	269,740	270
At 31 December 2022	**982,871,640**	**982,872**

Notes:

(a) On 23 June 2021, the Company issued 36,549,200 new H shares at HK$70.18 (equivalent to RMB58.39) per share for a total gross proceeds of HK$2,565,023,000 (equivalent to RMB2,134,381,000) from placing of new H shares. The proceeds of RMB36,549,000 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of RMB2,097,832,000 were credited to the share premium account of the Company.

(b) On 2 December 2022, the Company issued 70,000,000 new A shares at RMB53.95 per share for a total gross proceeds of RMB3,776,500,000 from placing of new A shares. The proceeds of RMB70,000,000 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of RMB3,706,500,000 were credited to the share premium account of the Company.

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

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30. CAPITAL AND OTHER COMMITMENTS

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– acquisition of property, plant and equipment	**754,965**	472,493
Other commitments in respect of:		
– investments in associates	**180,000**	192,000

31. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme

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

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

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

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31. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

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

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

For the year ended 31 December 2022

				Number of share options				
Date of grant	Exercise price RMB	Vesting date (after Second Amended Option Scheme)	Expiry date (after Second Amended Option Scheme)	Outstanding at 1 January 2022	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2022
14 May 2018	9.20	16 December 2021	15 December 2022	1,845,200	–	(1,845,200)	–	–
Exercisable at the end of the year								–
Weighted average exercise price (RMB)				9.20	–	9.20	–	–

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31. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

For the year ended 31 December 2021

				Number of share options				
Date of grant	Exercise price RMB	Vesting date (after Second Amended Option Scheme)	Expiry date (after Second Amended Option Scheme)	Outstanding at 1 January 2021	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2021
14 May 2018	9.20	16 December 2020	15 December 2021	1,711,500	–	(1,711,500)	–	–
14 May 2018	9.20	16 December 2021	15 December 2022	1,955,200	–	–	(110,000)	1,845,200
				3,666,700	–	(1,711,500)	(110,000)	1,845,200
Exercisable at the end of the year								1,845,200
Weighted average exercise price (RMB)				9.20	–	9.20	9.20	9.20

In respect of the share options exercised during the year, the weighted average share price of A shares at the date of exercise was RMB74.69 (2021: RMB83.99).

During the year ended 31 December 2022, total share-based payment expenses of nil (2021: RMB2,461,000, net of RMB38,000 capitalised in cost of construction in progress) have been recognised in profit or loss.

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31. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Restricted A Share Incentive Scheme

Pursuant to a resolution passed on 16 November 2020, the Company adopted the Restricted A Share Incentive Scheme (the "Restricted A Share Scheme") for the purpose of attract and retain the Group's personnel and to ensure the Group's development strategy and business goals. Eligible persons including but not limited to the Group's directors, senior management and employees. Under the Restricted A Share Scheme, 28,519,000 RSUs are granted to eligible persons. The RSUs are vested as follows:

On 1st anniversary of the first trading day following the end of the 12 months from 16 November 2020	40% vest
On 2nd anniversary of the first trading day following the end of the 24 months from 16 November 2020	further 30% vest
On 3rd anniversary of the first trading day following the end of the 36 months from 16 November 2020	remaining 30% vest

Movement in the number of RSUs granted under the Restricted A Share Scheme is as follows:

For the year ended 31 December 2022

				Number of RSUs				
Date of grant	Exercised price RMB	Vesting date	Expiry date	Outstanding at 1 January 2022	Granted during the year	Exercise during the year	Forfeited during the year	Outstanding at 31 December 2022
16 November 2020	55.50	16 November 2021	15 November 2022	9,698,120	–	(269,740)	(9,428,380)	–
16 November 2020	55.50	16 November 2022	15 November 2023	7,273,590	–	–	(1,142,850)	6,130,740
16 November 2020	55.50	16 November 2023	15 November 2024	7,273,590	–	–	(1,114,050)	6,159,540
Total				24,245,300	–	(269,740)	(11,685,280)	12,290,280
Exercisable at the end of the year								12,290,280
Weighted average exercise price (RMB)				55.50	–	55.50	55.50	55.50

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31. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Restricted A Share Incentive Scheme (Continued)

For the year ended 31 December 2021

				Number of RSUs			
Date of grant	Exercise price RMB	Vesting date	Expiry Date	Outstanding at 1 January 2021	Granted during the year	Forfeited during the year	Outstanding at 31 December 2021
16 November 2020	55.50	16 November 2021	16 November 2022	11,407,600	–	(1,709,480)	9,698,120
16 November 2020	55.50	16 November 2022	16 November 2023	8,555,700	–	(1,282,110)	7,273,590
16 November 2020	55.50	16 November 2023	16 November 2024	8,555,700	–	(1,282,110)	7,273,590
Total				28,519,000	–	(4,273,700)	24,245,300
Exercisable at the end of the year							24,245,300
Weighted average exercise price (RMB)				55.50	–	55.50	55.50

During the year ended 31 December 2022, share-based payment expense of RMB61,280,000 (2021: RMB184,785,000) (net of RMB677,000 (2021: RMB2,016,000) capitalised in cost of construction in progress) has been recognised in profit or loss.

Reserved Restricted A Share Incentive Scheme

Pursuant to a resolution passed on 15 November 2021, the Company adopted the Reserved Restricted A Share Incentive Scheme (the "Reserved Restricted A Share Scheme") for the purpose of attract and retain the Group's personnel and to ensure the Group's development strategy and business goals. Eligible persons including but not limited to the Group's directors, senior management and employees. Under the Reserved Restricted A Share Scheme, 7,129,000 RSUs are granted to eligible persons. The RSUs are vested as follows:

On 1st anniversary of the first trading day following the end of the 12 months from 15 November 2021	50% vest
On 2rd anniversary of the first trading day following the end of the 24 months from 15 November 2021	further 50% vest

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31. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Reserved Restricted A Share Incentive Scheme (Continued)

Movement in the number of RSUs granted under the Reserved Restricted A Share Scheme is as follows:

For the year ended 31 December 2022

				Number of RSUs			
Date of grant	Exercise price RMB	Vesting date	Expiry Date	Outstanding at 1 January 2022	Granted during the year	Forfeited during the year	Outstanding at 31 December 2022
15 November 2021	55.50	15 November 2022	15 November 2023	3,564,500	–	(1,145,650)	2,418,850
15 November 2021	55.50	15 November 2023	15 November 2024	3,564,500	–	(1,145,650)	2,418,850
Total				7,129,000	–	(2,291,300)	4,837,700
Exercisable at the end of the year							4,837,700
Weighted average exercise price (RMB)				55.50	–	55.50	55.50

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31. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Reserved Restricted A Share Incentive Scheme (Continued)

For the year ended 31 December 2021

				Number of RSUs			
Date of grant	Exercise price RMB	Vesting date	Expiry Date	Outstanding at 1 January 2021	Granted during the year	Forfeited during the year	Outstanding at 31 December 2021
15 November 2021	55.50	15 November 2022	15 November 2023	–	3,564,500	–	3,564,500
15 November 2021	55.50	15 November 2023	15 November 2024	–	3,564,500	–	3,564,500
Total				–	7,129,000	–	7,129,000
Exercisable at the end of the year							7,129,000
Weighted average exercise price (RMB)				–	55.50	–	55.50

During the year ended 31 December 2022, share-based payment expense of RMB30,631,000 (2021: RMB5,508,000) (net of RMB694,000 (2021: Nil) capitalised in cost of construction in progress) has been recognised in profit or loss.

32. RETIREMENT BENEFIT SCHEMES

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the relevant local government. The Company's subsidiaries situated in the PRC are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions.

The Group's subsidiary in the USA adopted a defined contributions plan pursuant to which the Group matches 50 cents for every dollar contributed by each qualifying member of staff up to 4% of their salaries. The maximum match is 2% of the qualifying member of staff's gross pay.

During the year ended 31 December 2022, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represents contributions paid or payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefits scheme contributions incurred by the Group for employees in the PRC amounted to RMB91,168,000 (2021: RMB118,839,000) while retirement benefits scheme contributions incurred for employees in the USA amounted to RMB4,070,000 (2021: RMB1,640,000).

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33. RELATED PARTY DISCLOSURES

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position, the Group had also entered into the following transactions with related parties:

(a) Research and development expenses incurred

	Year ended 31 December	
Name of related parties	**2022**	2021
	RMB'000	RMB'000
Ruotuo Bio	**7,554**	23,026
Anwita	**–**	24,627
	7,554	47,653

(b) Construction cost incurred

	Year ended 31 December	
Name of related party	**2022**	2021
	RMB'000	RMB'000
Ruihe	**–**	3,743

(c) Management fee income

	Year ended 31 December	
Name of related party	**2022**	2021
	RMB'000	RMB'000
Junshi Phase I Fund	**624**	–

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33. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Compensation of directors and key management personnel

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Short-term benefits and performance bonus	**57,849**	82,123
Share-based payment expenses	**23,201**	63,363
Post-employment benefits	**753**	807
	81,803	146,293

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

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34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries directly and indirectly held by the Company at 31 December 2022 and 2021 are set out below.

Name of subsidiaries	Place of operation/ establishment, date of incorporation and form of legal entity	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Company		Principal activities
			As at 31 December 2022	As at 31 December 2021	
Directly held:					
Shanghai Junshi Biotechnology Co., Ltd.* (上海君實生物工程有限公司)	The PRC 29 June 2016 Limited liability company	Registered capital of RMB1,000,000,000 and paid-up capital of RMB1,000,000,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd.* (江蘇眾合醫藥科技有限公司)	The PRC 1 April 2013 Limited liability company	Registered capital of RMB60,000,000 and paid-up capital of RMB13,300,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Suzhou Junmeng Biopharm Co., Ltd.* (蘇州君盟生物醫藥科技有限公司)	The PRC 12 October 2013 Limited liability company	Registered capital of RMB600,000,000 and paid-up capital of RMB600,000,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Suzhou Union Biopharm Co., Ltd.* (蘇州眾合生物醫藥科技有限公司)	The PRC 12 October 2013 Limited liability company	Registered capital of RMB750,000,000 and paid-up capital of RMB725,600,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Suzhou TopAlliance Biosciences Co., Ltd.* (蘇州君實生物醫藥科技有限公司)	The PRC 26 July 2017 Limited liability company	Registered capital of RMB500,000,000 and paid-up capital of RMB177,748,960	100%	100%	Discovery, development and commercialisation of innovative drugs
TopAlliance Biosciences Inc.	The United States 6 March 2013	Registered capital of USD95,000,000 (equivalent to RMB616,357,000) and paid-up capital of USD95,000,000 (equivalent to RMB616,357,000)	100%	100%	Discovery, development and commercialisation of innovative drugs
Junshi Biomedical Technology (Hainan) Investment Management Co., Ltd.* (君實生物醫藥科技(海南)有限公司)	The PRC 9 February 2021 Limited liability company	Registered capital of RMB50,000,000 and paid-up capital of RMB50,000,000	100%	100%	Discovery, development and commercialisation of innovative drugs

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34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of operation/ establishment, date of incorporation and form of legal entity	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Company		Principal activities
			As at 31 December 2022	As at 31 December 2021	
Directly held: (continued)					
Shanghai Jun Top Biosciences Co., Ltd.* (上海君拓生物醫藥科技有限公司)	The PRC 6 August 2021 Limited liability company	Registered capital of RMB440,366,972 and paid-up capital of RMB440,366,972	71.85%	68.125%	Discovery, development and commercialisation of innovative drugs
Suzhou Junjing Biomedical Technology Co., Ltd.* (蘇州君境生物醫藥科技有限公司)	The PRC 23 September 2020 Limited liability company	Registered capital of RMB51,020,408 and paid-up capital of RMB51,020,408	51%	N/A	Discovery, development and commercialisation of innovative drugs
Indirectly held:					
Beijing Union Biopharm Junshi Biosciences Co., Ltd.* (北京眾合君實生物醫藥科技有限公司)	The PRC 12 June 2016 Limited liability company	Registered capital of RMB25,000,000 and paid-up capital of RMB11,200,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Suzhou Junao Medicine Co., Ltd.* (蘇州君奧精準醫學有限公司)	The PRC 10 January 2018 Limited liability company	Registered capital of RMB420,000,000 and paid-up capital of RMB52,090,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Suzhou Junshi Biotechnology Co., Ltd.* (蘇州君實生物工程有限公司)	The PRC 19 June 2018 Limited liability company	Registered capital of RMB200,000,000 and paid-up capital of RMB79,330,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Shanghai Vinnerna Biosciences Co., Ltd. * (上海旺實生物醫藥科技有限公司)	The PRC 31 December 2021 Limited liability company	Registered capital of RMB10,000,000 and paid-up capital of RMB5,000,000	35.925%	34.063%	Discovery, development and commercialisation of innovative drugs

* The English names are for identification purpose only.

None of the subsidiaries had issued any debt securities at the end of both years or at any time during both years.

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34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are discovery, development and commercialisation of innovative drugs.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiary of the Company that has material non-controlling interests as at 31 December 2022 and 2021:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Shanghai JunTop Biosciences Co., Ltd. * (上海君拓生物醫藥 科技有限公司)	The PRC	**28.15%**	31.875%	**(192,953)**	(9,624)	**246,912**	371,282
Individually immaterial subsidiary with non-controlling interests				**(3,075)**	–	**45,922**	(3)
				(196,028)	(9,624)	**292,834**	371,279

Summarised financial information in respect of the Company's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations as at 31 December 2022 and 2021.

JunTop Biosciences

	At 31 December	
	2022 RMB'000	2021 RMB'000
Current assets	**1,117,457**	1,167,538
Non-current assets	**276,079**	1,870
Current liabilities	**(147,888)**	(1,650)

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34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

JunTop Biosciences (Continued)

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current liabilities	**(17,980)**	(2,950)
Equity attributable to owners of the Company	**980,756**	793,526
Non-controlling interests of JunTop Biosciences	**384,248**	371,282
Non-controlling interests of JunTop Biosciences' subsidiary	**(137,336)**	–

	From 1 January to 31 December 2022	From 6 August to 31 December 2021
	RMB'000	RMB'000
Loss attributable to owners of the Company	**(129,195)**	(20,568)
Loss attributable to the non-controlling interests of JunTop Biosciences	**(55,617)**	(9,624)
Loss attributable to the non-controlling interests of JunTop Biosciences' subsidiary	**(137,336)**	–
Loss and other comprehensive expense for the year/period	**(322,148)**	(30,192)
Dividends declared to non-controlling interests of JunTop Biosciences	**–**	–
Net cash outflow from operating activities	**(414,473)**	(34,024)
Net cash outflow from investing activities	**(76,159)**	(24)
Net cash inflow from financing activities	**372,324**	1,194,848
Net cash (outflow) inflow	**(118,308)**	1,160,800

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35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged throughout the year.

The capital structure of the Group consists of debts, which includes bank borrowings, net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the new shares issues as well as the issue of new debts and redemption of existing debts.

36. FINANCIAL INSTRUMENTS

36a. Categories of financial instruments

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Financial assets		
At amortised cost	**6,313,455**	4,853,831
Financial assets at FVTPL	**772,740**	773,533
Financial assets at FVTOCI	**137,457**	253,575
Financial liabilities		
At amortised cost	**1,626,232**	1,710,079

36b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, other financial assets, restricted bank deposits, bank balances and cash, trade and other payables, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The Group has foreign currency bank balances and trade and other payables, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of certain significant foreign currency denominated monetary assets and liabilities other than the functional currency of the entity to which they related at the end of the reporting period are as follows:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Assets		
USD	**859,497**	1,734,299
HKD	**4,908**	534,495
Liabilities		
USD	**(20,441)**	(22,449)
GBP	**(8,201)**	(1,291)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in RMB against USD, HKD and GBP. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation, for a change in foreign currency rates of 5% for the whole year. A negative number below indicates an increase in loss where RMB strengthens 5% against USD, HKD and GBP. For a 5% weakening of RMB against USD, HKD and GBP, there would be an equal and opposite impact on loss for the year.

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36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Impact on loss for the year		
USD	**(41,953)**	(64,194)
HKD	**(245)**	(20,044)
GBP	**410**	48

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during both years.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in related to fixed-rate bank borrowings (Note 25), deposits for leasehold interests in land (Note 21) and lease liabilities (Note 27).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate restricted bank deposits and bank balances (Note 23) and variable rate bank borrowings (Note 25). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances.

The Group currently does not have interest rate risk hedging policy. However, the directors of the Company closely monitor the exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

Total interest income from financial assets that are measured at amortised cost is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest income		
Financial assets at amortised cost	**61,018**	30,979

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36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Total interest expense for financial liabilities that are not measured at FVTPL is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest expenses		
Financial liabilities at amortised cost	**22,977**	16,053

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period, The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year, A 50 basis point (2021: 50 basis point) increase or decrease in variable-rate bank borrowing is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 50 basis points (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's pre-tax loss for the year ended 31 December 2022 would increase/decrease by RMB4,400,000 (2021: RMB2,503,000), this is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

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For the year ended 31 December 2022

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk through its equity investments included in other financial assets (Note 22). The management of the Group monitors the price risk and will consider hedging the risk exposure should the need arises.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. The Group is exposed to equity price risk arising from financial asset designated as FVTOCI. If the prices of the respective equity investment had been 5% higher/lower, the other comprehensive expense for the year ended 31 December 2022 would decrease/increase by RMB6,873,000 (2021: decrease/increase by RMB12,679,000), as a result of the changes in fair value of financial asset designated as FVTOCI.

For sensitivity analysis of investments in preference shares and unlisted equity investments (2021: investments in preference shares, unlisted equity investments and warrants), if the fair value of the respective investments had been 5% (2021: 5%) higher/lower, the loss for the year ended 31 December 2022 would decrease/increase by RMB30,825,000 (2021: decrease/increase by RMB30,916,000) as a result of the changes in fair value.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables, restricted bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets, except that the settlement of certain trade receivables are backed by bills issued by reputable financial institutions.

The Group determines the ECL on these items based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Restricted bank deposits and bank balances

Credit risk on restricted bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for restricted bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted bank deposits and bank balances is considered to be insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed annually. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group only accept bills issued or guaranteed by reputable PRC bank if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from trade receivables backed by bank bills is insignificant. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the USA and the PRC which accounted for 25% (2021: 97%) and 75% (2021: 3%) of the total trade receivables, respectively as at 31 December 2022. In addition, the Group has concentration of credit risk as 36.8% (2021: 97%) of the total trade receivables was due from the Group's licensing and service income for one (2021: two) of the five largest customers. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade receivable balances not backed by bank bills individually and based on provision matrix. Certain trade receivables, which are assessed for impairment individually, the remaining trade receivables not backed by bank bills are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. An impairment loss, net of reversal of RMB18,000 is recognised during the year (2021: nil). Details of the quantitative disclosures are set out below in this note.

In determining the ECL for trade receivables backed by bank bills, the management of the Group considers the probability of default is negligible on the basis of high-credit-rating of the bank issuing the bills, and accordingly, no loss allowance made in the consolidated financial statements.

Deposits and other receivables

For deposits and other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2022 and 2021, the Group assessed the ECL for other receivables and deposits and recognised impairment of RMB29,000 (2021: reversed impairment of RMB342,000) during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2022 RMB'000	2021 RMB'000
Financial assets at amortised cost						
Restricted bank deposits	*23*	AA	N/A	12m ECL	**31,086**	2,033
Bank balances	*23*	AA	N/A	12m ECL	**5,996,936**	3,504,605
Deposits and other receivables	*21*	N/A	Low risk	12m ECL	**53,322**	54,850
Trade receivables	*20*					
– not backed by bank bills		N/A	*(Note)*	Lifetime ECL (provision matrix)	**147,181**	11,971
– not backed by bank bills		N/A	Low risk	Lifetime ECL (individually assessed)	**85,562**	1,273,272
– backed by bank bills		N/A	Low risk	Lifetime ECL (individually assessed)	**–**	7,690
					6,314,087	4,854,421

Note: For trade receivables not backed by bank bills, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by individually assessed or using a provision matrix, grouped by internal credit rating and past due status.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation of sales of pharmaceutical products. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

Gross carrying amount

	2022		2021	
	Average loss rate	Trade receivables not backed by bank bills RMB'000	Average loss rate	Trade receivables not backed by bank bills RMB'000
Current (not past due)	0.01%-0.1%	147,181	0.01%-0.1%	11,971
		147,181		11,971

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the years ended 31 December 2022 and 31 December 2021, the directors consider that the ECL allowance of the trade receivables not backed by bank bills with significant balances that were assessed individually is insignificant. The Group did not provide impairment allowance for trade receivables not backed by bank bills individually and based on the provision matrix.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the reconciliation of loss, allowances that has been recognised for trade receivables not backed by bank bills under the simplified approach and deposits and other receivables under 12m ECL approach.

	Trade receivables not backed by bank bills (not credit-impaired) RMB'000	**Deposits and other receivables (not credit-impaired)** RMB'000	**Total** RMB'000
As at 1 January 2021	–	932	932
Changes due to financial instruments recognised as at 1 January 2021:			
– Impairment losses reversed	–	(342)	(342)
As at 31 December 2021	–	590	590
Changes due to financial instruments recognised as at 1 January 2022:			
– Impairment losses recognised	18	278	296
– Impairment losses reversed	–	(249)	(249)
– Write off	–	(5)	(5)
As at 31 December 2022	**18**	**614**	**632**

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors of the Group monitor the utilisation of bank borrowings and ensure compliance with loan covenants.

The Group relied on borrowings and the issuance of shares as a significant source of liquidity. Details of which are set out in Note 25 and Note 29, respectively.

The following table details the Group remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity table

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	>5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022								
Non-derivative financial liabilities								
Trade and other payables	–	394,900	–	–	–	–	394,900	394,900
Borrowings	3.74	23,213	399,969	114,957	462,610	380,299	1,381,048	1,231,332
Lease liabilities	4.54	13,280	37,045	33,550	43,495	–	127,370	90,249
		431,393	437,014	148,507	506,105	380,299	1,903,318	1,716,481
At 31 December 2021								
Non-derivative financial liabilities								
Trade and other payables	–	1,209,483	–	–	–	–	1,209,483	1,209,483
Borrowings	3.98	9,843	19,398	48,330	261,068	248,628	587,267	500,596
Lease liabilities	5.22	8,054	26,598	36,791	93,360	–	164,803	127,599
		1,227,380	45,996	85,121	354,428	248,628	1,961,553	1,837,678

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Fair value measurements of financial instruments

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

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value at 31 December 2022 RMB'000	Fair value at 31 December 2021 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Financial assets at FVTPL					
2022: Investment in preference shares 2021: Warrant	20,000	20,000	Level 2	Recent transaction price	N/A
Unlisted equity investment	5,380	1,952	Level 3	2022: Back-solve from recent transaction price market multiple method 2021: Market comparison approach – in this approach, fair value was determined with reference to Enterprise Value-to-Sales multiple ("EV/S multiple").	2022: Recent transaction price/ Redemption/Liquidation/IPO probability/risk-free rate/expected volatility/liquidity discount 2021: Discount rate of 27% and EV/S multiple of 8.69, taking into account management's experience and knowledge of market conditions
Unlisted equity investment	6,802	6,802	Level 3	Market comparison approach – in this approach, fair value was determined with reference to Price-to-cumulative Research & Development Expenses multiple ("P/R&D multiple").	Discount rate of 28% (2021: 27%) and P/R&D multiple of 3.28 (2021: 2.80), taking into account management's experience and knowledge of market conditions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Fair value measurements of financial instruments (Continued)

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

Financial assets	Fair value at 31 December 2022 RMB'000	Fair value at 31 December 2021 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Investment in preference shares	151,167	181,888	Level 3	2022: Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple 2021: Back-solve from recent transaction price Market multiple method.	2022: Discount rate of 21% and P/R&D multiple of 13.45, taking into account management's experience and knowledge of market conditions 2021: Recent transaction price/ Redemption/Liquidation/IPO probability/risk – free rate/expected volatility/liquidity discount
2022: Investment in preference shares 2021: Unlisted equity investment *(Note a)*	58,964	37,910	2022: Level 3 (2021: Level 2)	2022: Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple 2021: Recent transaction price	2022: Discount rate of 28% and P/R&D multiple of 8.28, taking into account management's experience and knowledge of market conditions 2021: N/A
Investments in preference shares	22,492	28,611	2022: Level 3 (2021: Level 2)	2022: Back-solve from recent transaction price market multiple method 2021: Recent transaction price	2022: Recent transaction price/ Redemption/Liquidation/IPO probability/risk – free rate/expected volatility/liquidity discount 2021: N/A
Investments in preference shares	40,556	47,789	2022: Level 3 (2021: Level 2)	2022: Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple 2021: Recent transaction price	2022: Discount rate of 24% and P/R&D multiple of 9.93, taking into account management's experience and knowledge of market conditions 2021: N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Fair value measurements of financial instruments (Continued)

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

Financial assets	Fair value at 31 December 2022 RMB'000	Fair value at 31 December 2021 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Investments in preference shares	26,028	23,970	2022: Level 3 (2021: Level 2)	2022: Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple 2021: Recent transaction price	2022: Discount rate of 23% and P/R&D multiple of 5.28, taking into account management's experience and knowledge of market conditions 2021: N/A
Investments in preference shares	55,000	46,516	Level 2	Recent transaction price	N/A
Investments in preference shares	74,430	62,855	Level 3	Back-solve from recent transaction price Market multiple method.	Redemption/Liquidation/IPO probability/risk – free rate/expected volatility/liquidity discount
Investments in preference shares	92,163	78,569	Level 3	2022: Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple 2021: Back-solve from recent transaction price market multiple method.	2022: Discount rate of 18% and P/R&D multiple of 2.22, taking into account management's experience and knowledge of market conditions 2021: Liquidation/IPO probability/risk – free rate/expected volatility/liquidity discount
Investments in preference shares	63,522	81,453	Level 3	Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple	Discount rate of 27% (2021: 25%) and P/R&D multiple of 3.06 (2021: 5.39), taking into account management's experience and knowledge of market conditions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Fair value measurements of financial instruments (Continued)

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

	Fair value at				
Financial assets	**31 December 2022 RMB'000**	31 December 2021 RMB'000	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable inputs**
Investment in unlisted equity investments in partnership	**156,236**	155,218	Level 3	The fair value is determined based on the share of fair value of the underlying net assets held by the investee	The fair value of the underlying net assets of the investee
	772,740	773,533			
Financial assets at FVTOCI					
Listed equity investment	**137,457**	253,575	Level 1	Quoted bid prices in an active market	N/A
	910,197	1,027,108			

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

Note:

a. During the year ended 31 December 2022, the Group's investment in the unlisted equity investment was re-designated as investment in preference shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Fair value measurements of financial instruments (Continued)

(ii) Reconciliation of Level 3 fair value measurements

	Unlisted equity investments RMB'000	Unlisted equity investments in partnership RMB'000	Investments in preference shares RMB'000	Total RMB'000
At 1 January 2021	95,097	77,030	–	172,127
Transfer into Level 3 due to change of valuation technique *(Note)*	–	–	146,688	146,688
Re-designation due to change of nature of investment	(89,373)	–	89,373	–
Purchased	3,030	62,010	–	65,040
Change in fair value credited to profit or loss	–	16,178	168,704	184,882
At 31 December 2021 and 1 January 2022	8,754	155,218	404,765	568,737
Transfer into Level 3 due to change of valuation technique *(Note)*	–	–	148,040	148,040
Change in fair value credited (charged) to profit or loss	3,428	1,018	(23,483)	(19,037)
At 31 December 2022	**12,182**	**156,236**	**529,322**	**697,740**

Note: These investments were measured by recent transaction price as at the end of preceding reporting period.

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

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of the counterparty.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000 *(Note 27)*	**Borrowings** RMB'000 *(Note 25)*	**Payable for transaction costs for the issue of new shares** RMB'000 *(Note 24)*	**Total** RMB'000
At 1 January 2021	56,211	794,568	–	850,779
Financing cash flows	(39,739)	(310,025)	(29,677)	(379,441)
Non-cash transactions:				
– Finance costs	5,780	16,053	–	21,833
– Transaction costs payable	–	–	30,434	30,434
– New lease entered	105,347	–	–	105,347
At 31 December 2021	127,599	500,596	757	628,952
Financing cash flows	(47,208)	707,759	(29,556)	630,995
Non-cash transactions:				
– Finance costs	6,393	22,977	–	29,370
– Transaction costs payable	–	–	31,697	31,697
– New lease entered	86,754	–	–	86,754
– Acquired on acquisition of subsidiary *(note 38)*	1,599	–	–	1,599
– Termination of leases	(84,888)	–	–	(84,888)
At 31 December 2022	**90,249**	**1,231,332**	**2,898**	**1,324,479**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

38. ACQUISITION OF A SUBSIDIARY

On 8 March 2022, the Company injected capital of RMB2,000,000 to Suzhou Junjing and after the capital injection, the equity interest in Suzhou Junjing increased from 50% to 51% and Suzhou Junjing has become a non-wholly owned subsidiary of the Company since the Company has obtained the control over Suzhou Junjing by majority shareholding. The acquisition has been accounted for as acquisition of business using the acquisition method. The principal activities of Suzhou Junjing are engaged in technical services, technological development, drug production, wholesale of drugs and commissioned production of drugs.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	913
Right-of-use assets	1,784
Intangible assets	57,733
Other assets, prepayments and other receivables	37,107
Bank balances and cash	4,220
Trade and other payables	(158)
Lease liabilities	(1,599)
	100,000

The receivables acquired (which comprised other receivables) with a fair value of RMB35,246,000 at the date of acquisition has gross contractual amount of RMB35,246,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

Non-controlling interests

The non-controlling interests (49%) in Suzhou Junjing recognised at the acquisition date was measured by reference to the fair value of the proportionate share of recognised amounts of net assets of Suzhou Junjing and amounted to RMB49,000,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	2,000
Add: Non-controlling interest at acquisition date	49,000
Add: Fair value of interest in Suzhou Junjing previously held	49,000
Less: Fair value of identifiable assets acquired	(100,000)
	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

38. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Gain on deemed disposal of an associate

	RMB'000
Fair value of 50% interest in Suzhou Junjing before capital injection	49,000
Less: Carrying amount of interest in an associate (Note 18)	(20,153)
	28,847

Net cash inflow on acquisition

	RMB'000
Cash and cash equivalents balances acquired	4,220
Less: cash consideration paid	(2,000)
	2,220

Impact of acquisition on the result of the Group

During the period from 1 January 2022 to 8 March 2022, the Group shared the loss in Suzhou Junjing of RMB870,000. Since the acquisition, Suzhou Junjing incurred a loss of RMB6,241,000 which was included in the Group's results for year ended 31 December 2022.

Had the acquisition of Suzhou Junjing been completed on 1 January 2022, revenue for the year of the Group would have been RMB1,453,493,000, and loss for the year would have been RMB2,581,508,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and loss of the Group had Suzhou Junjing been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leased properties for 2 to 5 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB86,754,000 and RMB86,754,000 (2021: RMB105,347,000 and RMB105,347,000) respectively.

During the year, the Group terminate lease agreements for the use of leased properties. The carrying amounts of the right-of-use assets and lease liabilities immediately before leases termination were of RMB76,779,000 and RMB84,888,000 (2021: Nil and Nil), respectively. Upon termination of leases, a gain on termination of leases of RMB8,109,000 (2021: Nil) are recognised.

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	**296,922**	243,624
Right-of-use assets	**126,906**	149,982
Investments in subsidiaries	**3,818,553**	2,927,129
Intangible assets	**35,640**	36,475
Interests in joint ventures	**29,904**	16,056
Interests in associates	**398,235**	441,736
Other assets, prepayments and other receivables	**192,900**	213,242
Amounts due from subsidiaries	**1,455,789**	719,951
Other financial assets	**835,768**	964,254
	7,190,617	5,712,449
Current assets		
Inventories	**57,653**	27,249
Trade receivables	**232,233**	1,292,086
Other assets, prepayments and other receivables	**271,711**	423,716
Amounts due from subsidiaries	**522,196**	672,660
Restricted bank deposits	**29,515**	–
Bank balances and cash	**4,715,959**	2,004,602
	5,829,267	4,420,313

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For the year ended 31 December 2022

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Current liabilities		
Trade and other payables	**1,093,786**	1,557,717
Amounts due to subsidiaries	**1,562,153**	519,239
Lease liabilities	**23,408**	23,692
Tax payables	**–**	60,361
	2,679,347	2,161,009
Net current assets	**3,149,920**	2,259,304
Total assets less current liabilities	**10,340,537**	7,971,753
Non-current liabilities		
Borrowings	**69,722**	–
Deferred income	**8,620**	8,022
Lease liabilities	**11,929**	34,922
	90,271	42,944
Net assets	**10,250,266**	7,928,809
Capital and reserves		
Share capital	**982,872**	910,757
Reserves	**9,267,394**	7,018,052
Total equity	**10,250,266**	7,928,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movement in the Company's reserves

	Share premium RMB'000	RSU reserves RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000
At 1 January 2021	8,561,533	25,565	32,777	–	(3,766,385)	4,853,490
Loss for the year	–	–	–	–	(131,132)	(131,132)
Other comprehensive income for the year	–	–	–	19,454	–	19,454
Total comprehensive income (expense) for the year	–	–	–	19,454	(131,132)	(111,678)
H shares issued	2,097,832	–	–	–	–	2,097,832
Transaction costs attributable to issue of H shares	(30,434)	–	–	–	–	(30,434)
Recognition of equity-settled share-based payment expenses – share options	–	–	2,499	–	–	2,499
Recognition of equity-settled share-based payment expenses – RSU	–	192,309	–	–	–	192,309
Exercise of share options	30,242	–	(16,208)	–	–	14,034
At 31 December 2021	10,659,173	217,874	19,068	19,454	(3,897,517)	7,018,052
Loss for the year	–	–	–	–	(1,432,457)	(1,432,457)
Other comprehensive expense for the year	–	–	–	(116,118)	–	(116,118)
Total comprehensive expense for the year	–	–	–	(116,118)	(1,432,457)	(1,548,575)
A shares issued	3,706,500	–	–	–	–	3,706,500
Transaction costs attributable to issue of A shares	(31,697)	–	–	–	–	(31,697)
Recognition of equity-settled share-based payment expenses – RSU	–	93,282	–	–	–	93,282
Exercise of share options	34,199	–	(19,068)	–	–	15,131
Exercise of RSUs	18,499	(3,798)	–	–	–	14,701
Lapse of RSUs	132,205	(132,205)	–	–	–	–
At 31 December 2022	**14,518,879**	**175,153**	**–**	**(96,664)**	**(5,329,974)**	**9,267,394**

The difference between the share premium of the Group and the Company arise from a merge by absorption during the initial public offering of H shares.

DEFINITIONS

2018 Convertible Bonds	innovative start-ups convertible bonds (創新創業可轉換公司債券) previously issued by the Company and listed and traded on the Shanghai Stock Exchange. All the 2018 Convertible Bonds have been fully redeemed by the Company in July 2019
2018 Pre-IPO Share Incentive Scheme	the Company's Pre-IPO Share Incentive Scheme approved and adopted by its Shareholders on 14 May 2018 (as amended with effect from 15 July 2020)
2020 Restricted A Share Incentive Scheme	the Company's 2020 Restricted A Share Incentive Scheme approved and adopted by its Shareholders at the 2020 third extraordinary general meeting, the 2020 second class meeting of A Shareholders and the 2020 second class meeting of H Shareholders held on 16 November 2020
A Share(s)	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in Renminbi and are listed on the STAR Market of the SSE
A Shareholder(s)	holder(s) of A Share(s)
AGM	annual general meeting of the Company
ALK	anaplastic lymphoma kinase
ANGPTL3	angiopoietin-like protein 3
Articles of Association	articles of association of the Company
ASCO	the American Society of Clinical Oncology
Audit Committee	the audit committee of the Company
Beijing Tianshi	Beijing Tianshi Pharmaceutical Technology Co., Ltd.* (北京天實醫藥科技有限公司), a limited liability company established in the PRC, which is owned as to 50% by the Company
BLA	biologics license application
Board Diversity Policy	board diversity policy of the Company
Board of Supervisors	the Company's board of Supervisors
Board or Board of Directors	the Company's board of Directors
BTD	Breakthrough Therapy Designation
CG Code	Corporate Governance Code in Appendix 14 of the Listing Rules
CGMP	current good manufacturing practice
Coherus	Coherus BioSciences, Inc.
Coherus Territory	the United States and Canada

DEFINITIONS

Companies Ordinance	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong
Company or Junshi or Junshi Biosciences	Shanghai Junshi Biosciences Co., Ltd.* (上海君實生物醫藥科技股份有限公司)
COVID-19	coronavirus disease 2019
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
DCR	disease control rate
Director(s)	director(s) of the Company
Director Nomination Policy	the Company's policy in respect of the nomination of Directors
EFS	event-free survival
EGFR	epidermal growth factor receptor
EMA	European Medicines Agency
ESCC	esophageal squamous cell carcinoma
ESG	environmental, social and governance
EUA	emergency use authorization
EFS	event-free survival
Excellmab	Excellmab Pte. Ltd.
Exclusive License and Commercialization Agreement	the exclusive license and commercialization agreement dated 1 February 2021 and entered into between the Company and Coherus
Executive Director(s)	executive director(s) of the Company
FDA	U.S. Food and Drug Administration
Global Offering	as defined in the Prospectus
GMP	Good Manufacturing Practice
Grantee(s)	person(s) being granted Pre-IPO Option(s) under the 2018 Pre-IPO Share Incentive Scheme and the Share Incentive Agreements
Group	the Company and its subsidiaries
Hikma	Hikma MENA FZE

DEFINITIONS

H Share Listing	the listing of the Company's H Shares on the Hong Kong Stock Exchange on 24 December 2018
H Share(s)	overseas-listed share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and are listed on Hong Kong Stock Exchange
H Shareholder(s)	holder(s) of H Share(s)
HKD or HK$	Hong Kong dollars, the official currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Listing Rules or Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Hong Kong Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
IDMC	Independent Data Monitoring Committee
IFRS	International Financial Reporting Standards
IMPACT Therapeutics	IMPACT Therapeutics, Inc.
IND	Investigational New Drug
Independent Non-executive Director(s)	independent non-executive directors of the Company
Jiangsu Union Biopharm	Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd.* (江蘇眾合醫藥科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
Junshi Biotechnology	Shanghai Junshi Biotechnology Co., Ltd.* (上海君實生物工程有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
JunTop Biosciences	Shanghai JunTop Biosciences Co., Ltd.* (上海君拓生物醫藥科技有限公司), a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company
Lilly	Eli Lilly and Company
Lingang Production Base	the production base of Shanghai Junshi Biotechnology Co., Ltd. in Lingang, Shanghai
MAA	marketing authorization application

DEFINITIONS

Mabwell Bio	Mabwell (Shanghai) Bioscience Co., Ltd.* (邁威(上海)生物科技股份有限公司)
Macau	Macau Special Administrative Region of the PRC
MHRA	Medicines and Healthcare products Regulatory Agency
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules
mRNA	messenger RNA
NDA	New Drug Application
NEEQ	National Equities Exchange and Quotations
NMPA	National Medical Products Administration of China
Nomination Committee	the nomination committee of the Company
NPC	nasopharyngeal carcinoma
NRDL	National Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2022 Edition)* (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2022)版》)
NSCLC	non-small cell lung cancer
ORR	objective response rate
OS	overall survival
Over-allotment Option	as defined in the Prospectus
PDUFA	Prescription Drug User Fee Act
PFS	progression free survival
PRC or China	the People's Republic of China
PRC Company Law	the Company Law of the PRC* (《中華人民共和國公司法》)
PRC GAAP	generally accepted accounting principles in the PRC
Pre-IPO Options	option(s) granted by the Company to certain employees as share incentive under the 2018 Pre-IPO Share Incentive Scheme and the Share Incentive Agreements
Prospectus	the prospectus of the Company dated 11 December 2018
Qianhai Junshi	Shenzhen Qianhai Junshi Hospital Investment Management Co., Ltd.* (深圳前海君實醫院投資管理有限公司), a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company

DEFINITIONS

R&D	research and development
RdRp	RNA-dependent RNA polymeras
Remuneration and Appraisal Committee	the remuneration and appraisal committee of the Company
Reporting Period	the year ended 31 December 2022
Restricted Share(s)	A Share(s) to be granted by the Company to participants on such conditions stipulated under the 2020 Restricted A Share Incentive Scheme, which are subject to the attribution conditions stipulated under the 2020 Restricted A Share Incentive Scheme and can only be attributed and transferred after satisfaction of the attribution conditions
Risen Biosciences	Risen (Suzhou) Biosciences Co., Ltd.* (潤佳(蘇州)醫藥科技有限公司), a limited liability company established in the PRC
Risen Shanghai	Risen (Shanghai) Medical Technology Co., Ltd.* (潤佳(上海)醫藥技術有限公司), a limited liability company established in the PRC
RMB	Renminbi
Rxilient Biotech	Rxilient Biotech Pte. Ltd.
SCLC	small cell lung cancer
SFO	the Securities and Futures Ordinance, Charter 571 of the laws of Hong Kong
Shanghai Stock Exchange or SSE	The Shanghai Stock Exchange
Shanghai Union Biopharm	Shanghai Union Biopharm Biosciences Co., Ltd.* (上海眾合醫藥科技股份有限公司), a limited liability company established in the PRC and merged with the Company by consolidation in June 2016
Share(s)	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Shares and A Shares
Share Incentive Agreement(s)	contract(s) entered into between the Company and the respective grantee(s) in March 2018 in relation to the grant of the Pre-IPO Option(s) (as amended and supplemented from time to time)
Shareholder(s)	holder(s) of the Share(s)
siRNA	small interfering RNA
sNDA	supplemental new drug application
STAR Market	the STAR Market of the Shanghai Stock Exchange
Strategic Committee	the strategic committee of the Company
Supervisors	supervisors of the Company

DEFINITIONS

Suzhou Junao	Suzhou Junao Medicine Co., Ltd.* (蘇州君奧精準醫學有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
Suzhou Junmeng	Suzhou Junmeng Biopharm Co., Ltd.* (蘇州君盟生物醫藥科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
Suzhou Junshi Biotechnology	Suzhou Junshi Biotechnology Co., Ltd.* (蘇州君實生物工程有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
Suzhou TopAlliance	Suzhou TopAlliance Biosciences Co., Ltd.* (蘇州君實生物醫藥科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
Suzhou Union	Suzhou Union Biopharm Co., Ltd.* (蘇州眾合生物醫藥科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
Taizhou Junshi	Taizhou Junshi Biosciences Co., Ltd.* (泰州君實生物醫藥科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
TopAlliance	TopAlliance Biosciences Inc., a corporation established in the United States and a wholly-owned subsidiary of the Company
UC	urothelial carcinoma
U.S. or United States	the United States of America
USD or US$	United States dollars
Vigonvita	Suzhou Vigonvita Biomedical Co., Ltd.* (蘇州旺山旺水生物醫藥有限公司), a limited liability company established in the PRC
Wigen Biomedicine	Wigen Biomedicine Technology (Shanghai) Co., Ltd.
%	per cent

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

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

* *For identification purpose only*