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

2023
Annual Report

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Xiong Jun *(Chairman and Legal Representative)*
Dr. Li Ning[1] *(Vice Chairman)*
Dr. Zou Jianjun[2] *(Chief Executive Officer and General Manager)*
Mr. Li Cong *(Co-Chief Executive Officer)*
Mr. Zhang Zhuobing
Dr. Yao Sheng
Dr. Wang Gang[3]
Dr. Li Xin[4]

NON-EXECUTIVE DIRECTORS

Dr. Feng Hui[5]
Mr. Tang Yi
Dr. Wu Hai[6]

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Roy Steven Herbst
Mr. Qian Zhi
Mr. Zhang Chun
Dr. Feng Xiaoyuan
Dr. Meng Anming[7]
Dr. Chen Lieping[8]

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
Mr. Zhang Chun
Dr. Roy Steven Herbst
Dr. Meng Anming[7]
Dr. Chen Lieping[8]

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 Elected on 12 January 2024
2 Appointed on 12 January 2024
3 Appointed on 20 October 2023
4 Appointed as a non-executive Director on 20 October 2023 and re-designated from a non-executive Director to an executive Director with effect from 28 February 2024
5 Re-designated as a non-executive Director and resigned from the position of chief operations officer and all other positions in the subsidiaries of the Company with effect from 31 August 2023
6 Resigned on 30 August 2023
7 Appointed on 30 June 2023
8 Resigned on 30 June 2023

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- As at 31 December 2023, total revenue of the Group was approximately RMB1,503 million for the Reporting Period, representing an increase of approximately 3% compared to the corresponding period in 2022, which was mainly due to the increase of revenue from pharmaceutical products. During the Reporting Period, the Group's revenue from pharmaceutical products increased by approximately 58% compared to the corresponding period in 2022, in particular: the sales revenue of TUOYI® (toripalimab) was approximately RMB919 million, representing an increase of approximately 25% compared to the corresponding period in 2022.

- Total research and development ("**R&D**") expenses were approximately RMB1,937 million for the Reporting Period, representing a decrease of approximately 19% compared to the corresponding period in 2022. The decrease in R&D expenses was mainly due to the Group's control of R&D investments in certain early-stage pipelines, while optimizing resource allocation and focusing on R&D pipelines with greater potential.

- Loss attributable to owners of the Company was RMB2,282 million for the Reporting Period, representing a decrease of RMB104 million compared to the corresponding period in 2022.

HIGHLIGHTS

BUSINESS HIGHLIGHTS

As of the end of the Reporting Period, focusing on the "unmet medical needs", we have made original, innovative and breakthrough progress in discovery, R&D and commercialization of innovative therapies and innovative drugs. The following achievements and milestones were attained:

- Our innovative R&D field has expanded from monoclonal antibodies to the research and development of more 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. A total of three drugs (TUOYI®, JUNMAIKANG (君邁康®) and MINDEWEI (民得維®)) are being commercialized, around 30 assets are undergoing clinical trials, and over 20 drug candidates are at preclinical drug development stage.

  - In January 2023, the marketing of MINDEWEI (Deuremidevir Hydrobromide Tablets, product code: JT001/VV116), an oral nucleoside analog anti-SARS-CoV-2 Category 1 innovative drug, for the treatment of adult patients with mild to moderate COVID-19 was conditionally approved by the NMPA.

  - In February 2023, the marketing authorization application (the "**MAA**") for toripalimab combined with cisplatin and gemcitabine for the first-line treatment of patients with locally recurrent or metastatic nasopharyngeal carcinoma ("**NPC**"), toripalimab combined with paclitaxel and cisplatin for the first-line treatment of patients with unresectable locally advanced/recurrent or metastatic esophageal squamous cell carcinoma ("**ESCC**") was accepted by the United Kingdom's MHRA.

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

  - In April 2023, the sNDA for TUOYI® in combination with chemotherapy as perioperative treatment and subsequently, monotherapy as adjuvant therapy for the treatment of adult patients with resectable stage IIIA-IIIB non-small cell lung cancer ("**NSCLC**") was accepted by the NMPA, which was approved for marketing in December 2023. This is the first and only approved perioperative therapy for lung cancer domestically.

  - In April 2023, the NDA for ongericimab (a recombinant humanized anti-PCSK9 monoclonal antibody, code: JS002) was accepted by the NMPA.

  - In April 2023, the IND application for JS401 (a siRNA drug targeting ANGPTL3 mRNA) was approved by the NMPA.

HIGHLIGHTS

- In May 2023, the sNDA for TUOYI® in combination with paclitaxel for injection (albumin-bound) for the treatment of PD-L1 positive (CPS ≥ 1) untreated metastatic or recurrent metastatic triple-negative breast cancer was accepted by the NMPA.

- In June and August 2023, the IND application for a randomized, double-blind, placebo-controlled, international multi-center phase III clinical study of tifcemalimab (a recombinant humanized anti-BTLA monoclonal antibody, code: TAB004/JS004) in combination with toripalimab as consolidation therapy in patients with limited-stage small cell lung cancer ("**LS-SCLC**") without disease progression following chemo-radiotherapy was approved by the FDA and the NMPA, respectively.

- In July 2023, the sNDA for TUOYI® in combination with axitinib for the first-line treatment of patients with unresectable or metastatic renal cell carcinoma ("**RCC**") was accepted by the NMPA.

- In July 2023, the sNDA for TUOYI® in combination with etoposidein plus platinum as the first-line treatment of extensive-stage small cell lung cancer ("**ES-SCLC**") was accepted by the NMPA, which is the tenth marketing application submitted for TUOYI® in the People's Republic of China ("**China**").

- In August 2023, the IND application for JS207 (a recombinant humanized anti-PD-1/VEGF bispecific antibody) was approved by the NMPA.

- In September 2023, the primary endpoint of PFS (based on independent radiological review) of a randomized, controlled, multi-center phase III clinical study (NCT03430297) of toripalimab versus dacarbazine for the first-line treatment of unresectable or metastatic melanoma had met the pre-defined efficacy boundary.

- In October 2023, the BLA for toripalimab (U.S. trade name: LOQTORZI™), in combination with cisplatin and gemcitabine, for the first-line treatment of adults with metastatic or recurrent locally advanced NPC, and for toripalimab, as a single agent, for the treatment of adults with recurrent, unresectable, or metastatic NPC with disease progression on or after platinum-containing chemotherapy was approved by the FDA. Toripalimab is the first and only drug approved in the United States for the treatment of NPC, and is also the first innovative biological drug independently developed and manufactured in China that was approved for marketing by the FDA.

- In December 2023, the New Chemical Entity (the "**NCE**") application for toripalimab in combination with cisplatin and gemcitabine, for the first-line treatment of adults with metastatic or recurrent locally advanced NPC, and for toripalimab, as a single agent, for the treatment of adults with recurrent, unresectable, or metastatic NPC with disease progression on or after platinum-containing chemotherapy was accepted by the TGA. Additionally, the TGA also granted an orphan drug designation to toripalimab for the treatment of NPC.

HIGHLIGHTS

- In December 2023, TUOYI® and MINDEWEI were successfully included in Category B of the NRDL upon negotiations. In particular, TUOYI® has three new indications included, and there are currently a total of six indications being included in the NRDL. It is the only anti-PD-1 monoclonal antibody included in the NRDL for the treatment of melanoma. The indication of MINDEWEI for adult patients with mild to moderate COVID-19 was officially included in the NRDL for the first time.

• External collaborations

- In March 2023, we entered into a shareholders agreement (the "**Shareholders Agreement**") with Rxilient Biotech and its wholly-owned subsidiary, Excellmab. We would 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 would substantially perform our capital contribution obligations, and intend 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, we may receive a milestone payment of up to approximately US$4.52 million, plus a percentage of royalty on the net sales.

- In May 2023, we entered into an exclusive license and commercialization agreement with Dr. Reddy's, pursuant to which we agreed to grant to Dr. Reddy's a license to develop and exclusively commercialize toripalimab injection in Brazil, Mexico, Colombia, Argentina, Peru, Chile, Panama, Uruguay, India and South Africa. Dr. Reddy's elected to expand the scope of the license to cover Australia, New Zealand and nine other countries.

HIGHLIGHTS

IFRS

	For the year ended 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Operating results					
Revenue	775,089	1,594,897	4,024,841	1,453,493	**1,502,550**
Gross Profit	684,405	1,222,366	2,766,654	927,211	**835,260**
Loss for the year from continuing operations	(744,233)	(1,665,639)	(728,181)	(2,582,095)	**(2,533,882)**
Total comprehensive expense for the year	(741,055)	(1,687,567)	(718,579)	(2,650,714)	**(2,607,540)**
Total comprehensive expense for the year attributable to:					
Owners of the Company	(740,744)	(1,687,567)	(708,955)	(2,454,686)	**(2,355,282)**
Non-controlling interests	(311)	–	(9,624)	(196,028)	**(252,258)**
Loss per share					
From continuing operations					
– Basic (RMB yuan)	(0.95)	(2.02)	(0.80)	(2.60)	**(2.32)**
– Diluted (RMB yuan)	(0.95)	(2.02)	(0.80)	(2.60)	**(2.32)**

	At 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Financial position					
Non-current assets	2,511,324	3,312,147	5,218,981	5,371,381	**5,812,637**
Current assets	1,911,116	4,698,717	5,831,739	7,204,905	**5,549,827**
Total assets	4,422,440	8,010,864	11,050,720	12,576,286	**11,362,464**
Non-current liabilities	828,548	677,022	701,903	1,007,782	**1,547,100**
Current liabilities	605,376	1,492,582	2,016,635	1,774,254	**2,475,156**
Total liabilities	1,433,924	2,169,604	2,718,538	2,782,036	**4,022,256**
Net assets	2,988,516	5,841,260	8,332,182	9,794,250	**7,340,208**

HIGHLIGHTS

PRC GAAP

	For the year ended 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Operating results					
Revenue	775,089	1,594,897	4,024,841	1,453,493	**1,502,550**
Gross Profit	677,105	1,214,645	2,773,235	938,772	**941,869**
Loss for the year	(747,729)	(1,668,607)	(730,534)	(2,584,077)	**(2,535,689)**
Total comprehensive expense for the year	(744,550)	(1,690,536)	(720,932)	(2,652,695)	**(2,609,348)**
Loss per share					
From continuing operations					
– Basic (RMB yuan)	(0.96)	(2.03)	(0.81)	(2.60)	**(2.32)**
– Diluted (RMB yuan)	N/A	(2.03)	(0.81)	(2.60)	**(2.32)**

	At 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Financial position					
Non-current assets	2,500,838	3,298,693	5,190,020	5,342,012	**5,771,792**
Current assets	1,911,116	4,698,717	5,844,891	7,216,484	**5,571,075**
Total assets	4,411,954	7,997,410	11,034,911	12,558,496	**11,342,867**
Non-current liabilities	855,700	697,140	717,084	1,015,725	**1,583,859**
Current liabilities	578,225	1,472,464	2,001,453	1,766,311	**2,438,397**
Total liabilities	1,433,925	2,169,604	2,718,537	2,782,036	**4,022,256**
Net assets	2,978,029	5,827,806	8,316,374	9,776,460	**7,320,611**

CHAIRMAN'S STATEMENT

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

In 2023, Junshi Biosciences embarked on the journey to its second decade while forging ahead with the dual-wheel drive of "original innovation" and "international development". After ten years of accumulation of drug development technology, in-depth exploration in the field of translational medicine, and large-scale production capacity enhancement throughout the whole industry chain, Junshi Biosciences has successfully developed a drug candidate portfolio with tremendous market potential, including a R&D pipeline consisting of more than 50 drug candidates, some of which have the potential to become "first-in-class" products. With the mission of "providing patients with world-class, trustworthy, affordable, and innovative drugs", we have always been committed to the discovery, development and commercialization of innovative therapies to address the unmet clinical needs of patients around the world.

Since its inception, Junshi Biosciences has determined its strategic goal as "in China, for global", and has been committed to adopting a R&D system featuring global integration in pursuit of development driven by two wheels domestically and abroad. In 2023, we achieved a major breakthrough in our international strategy. Our core product toripalimab (U.S. trade name: LOQTORZI™) has been successfully marketed in the United States as the first and only drug approved in the United States for the treatment of NPC, and also the first innovative biological drug independently developed and manufactured in China that was approved for marketing by the FDA, filling the gap in the treatment options of NPC in the United States and rewriting the treatment standard for the NPC patients in the United States with Chinese innovations. Leveraging the cooperation framework mechanisms of the drug regulatory authorities of various countries, we made promising progress in overseas marketing applications of toripalimab, and submitted applications in Australia, Singapore, and other places. Besides, we have a number of marketing applications under review in the European Union and the United Kingdom. We will continue to insist on establishing our overseas presence. We have been cooperating on the commercialization with various overseas pharmaceutical companies including Coherus, Hikma and Dr. Reddy's in over 50 countries, covering the Middle East and North Africa, Latin America, India, South Africa, Southeast Asia, Australia, and New Zealand. Our partners and us are actively facilitating the global registration process for the product, and exploring the possibility of marketing more indications.

In terms of domestic commercialization, we achieved rapid growth in the revenue from sales of our pharmaceutical products in 2023. The revenue from sales of our three marketed products (i.e. TUOYI®, MINDEWEI and JUNMAIKANG) has gradually accounted for a greater share in operating income, which demonstrates that our income-generating capacity has been further strengthened. In particular, as at the end of the Reporting Period, TUOYI® had seven indications approved for marketing in China, six indications included in the NRDL, and a total of ten indications approved/accepted. After the launch of MINDEWEI, we made intensive efforts into establishing a commercialization team to expand our coverage in hospitals, and further improved the accessibility of our antiviral drugs through inclusion into the drug list. By the efforts of our partners, JUNMAIKANG had eight indications included in the drug list while expanding its coverage in hospitals and pharmacies.

CHAIRMAN'S STATEMENT

With respect to R&D of innovative drugs, as supported by our robust R&D system, we efficiently pushed forward our R&D pipeline over the past year. On the one hand, we made constant progress in various late-stage drug candidates. We initiated two phase III clinical studies for our first "first-in-class" product tifcemalimab (an anti-BTLA monoclonal antibody), one of which has completed the first patient enrollment in China, the United States and Europe, with a promising outlook in becoming our "seed player" of going global. The marketing application for ongericimab (an anti-PCSK9 monoclonal antibody) is under review. The phase III study of JS005 (an anti-IL-17A monoclonal antibody) for psoriasis commenced. On the other hand, for early-stage pipelines, we continued to optimize resource allocation and select advantageous products and indications to enter the stage of registrational clinical trials as soon as possible based on clinical data and clinical needs in the course of exploration.

In response to public health crisis, Junshi Biosciences has actively assumed its social responsibility as a pharmaceutical company, and commercialized two COVID-19 drugs domestically and internationally within three years. In January 2023, MINDEWEI, a new oral antiviral drug developed in a rapid collaboration with our partners, was conditionally approved for marketing in China by authorities.

Meanwhile, our expanding pipelines of international development and commercialization have placed higher demands on our production and quality systems. Currently, we have two production bases. Our Suzhou Wujiang production base completed the GMP on-site inspections of the U.S. FDA and the European EMA, and is responsible for the production of the commercial batches of toripalimab in the United States. Our Shanghai Lingang production base has also been refreshing records in the field of biomedical intelligent manufacturing, and was selected as a "National Intelligent Manufacturing Demonstration Factory" and "Shanghai Benchmark Intelligent Factory" in 2023.

Looking to the future, the pharmaceutical industry in China will remain at an important stage of development, presenting with both tough challenges as well as opportunities for innovation and international development. Keeping its mission in mind, Junshi Biosciences will continue with R&D and innovation and keep on enhancing its core competitiveness by accelerating the R&D progress and commercialization process of its drug candidates and staying focus on key areas to improve R&D efficiency. We will also continue to improve the management of our marketing and commercialization teams to further improve sales levels, make full use of the production capacity of our own production bases to improve the utilization rate of our drug fermentation capacity, and continuously optimize corporate governance, so as to achieving high-quality development.

I would like to express my sincere gratitude to all our patients, shareholders, employees and partners.

Xiong Jun
Chairman

28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

BUSINESS REVIEW

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 bestin-class drugs by way 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®)/LOQTORZI™), was the first domestic anti-PD-1 monoclonal antibody approved to be marketed in China by the NMPA, with seven indications approved in China as the date of this report. Moreover, toripalimab is the first innovative biological drug independently developed and manufactured in China that was approved for marketing by the FDA, and also the first and only drug approved in the United States for the treatment of NPC. Our independently developed tifcemalimab, being the world's first-inhuman anti-tumor anti-BTLA monoclonal antibody, has obtained IND approvals from the FDA and the NMPA, and is currently in phase III clinical stage. In 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 made continuous contributions to the global fight against the pandemic as a prominent 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 development of drug candidates, business operations, external collaborations, industry chain expansion, as well as talent reserve of the Company, which are summarized as follows:

Obtained an approval for the first domestic anti-PD-1 monoclonal antibody from the FDA, achieving a major breakthrough in international strategy

In October 2023, the BLA for toripalimab (U.S. trade name: LOQTORZI™), in combination with cisplatin and gemcitabine, for the first-line treatment of adults with metastatic or recurrent locally advanced NPC, and for toripalimab, as a single agent, for the treatment of adults with recurrent, unresectable, or metastatic NPC with disease progression on or after platinum-containing chemotherapy was approved by the FDA. Toripalimab is the first and only drug approved in the United States for the treatment of NPC, and is also the first innovative biological drug independently developed and manufactured in China that was approved for marketing by the FDA.

MANAGEMENT DISCUSSION AND ANALYSIS

In December 2023, the National Comprehensive Cancer Network (the "**NCCN**") of the United States updated the clinical practice guidelines for head and neck cancers to version 2024.v2, which included toripalimab in combination with cisplatin and gemcitabine as a preferred category 1 first-line treatment for patients with recurrent, unresectable, or metastatic NPC, and recommended toripalimab monotherapy as the only preferred treatment for patients with recurrent, unresectable, or metastatic NPC with disease progression on or after platinum-containing chemotherapy. Toripalimab became the first innovative biological drug from China being included as preferred treatment options in the NPC guidelines of the NCCN.

In January 2024, Coherus, a partner of the Company, announced that toripalimab is now available for access and administration in the United States.

Marketing applications in other overseas countries and regions:

– Under the pathway of Project Orbis, the NCE application and the NDA for toripalimab in combination with cisplatin and gemcitabine, for the first-line treatment of adults with metastatic or recurrent locally advanced NPC, and for toripalimab, as a single agent, for the treatment of adults with recurrent, unresectable, or metastatic NPC with disease progression on or after platinum-containing chemotherapy was accepted by the TGA and the HSA, respectively. Additionally, the TGA also granted an orphan drug designation and the HSA granted a priority review designation to toripalimab for the treatment of NPC. Under the framework of Project Orbis, collaboration among international regulators may allow patients with cancer to receive earlier access to new treatments in other countries. Toripalimab is the first domestic oncology drug to be included in Project Orbis. The Company will explore the possibility of expediting marketing in these countries and regions where the pathway is applicable.

– The MAAs for toripalimab for the first-line treatment of NPC and the first-line treatment of ESCC were accepted by the EMA and the MHRA, which is currently under review.

– The Company has been cooperating on the commercialization with partners including Hikma, Dr. Reddy's and Rxilient Biotech in over 50 countries, covering the Middle East and North Africa, Latin America, India, South Africa, Southeast Asia, Australia, and New Zealand. The Company and its partners are actively facilitating the marketing application process for toripalimab within their cooperation territories as soon as possible, and actively exploring the possibility of marketing more indications in certain regions.

MANAGEMENT DISCUSSION AND ANALYSIS

Experienced steady growth in the revenue from sales of pharmaceutical products, and continued to improve the efficiency of the commercialization team

During the Reporting Period, the Company achieved rapid growth in the revenue from sales of pharmaceutical products. The revenue from sales of pharmaceutical products has gradually accounted for a greater share in operating income, which demonstrates that our income-generating capacity has been further strengthened.

– TUOYI®: As of the end of the Reporting Period, TUOYI® has been sold in more than 5,000 medical institutions and about 2,000 specialty pharmacies and community pharmacies nationwide. Starting from 2024, TUOYI® has three new indications included in the new edition of the NRDL, and there are currently a total of six indications being included in the NRDL. It is the only anti-PD-1 monoclonal antibody included in the NRDL for the treatment of melanoma. The inclusion of new indications of TUOYI® in the NRDL will further expand the coverage of patients with various types of cancers who may gain benefits, reduce the medical burden for patients and their families, and improve the affordability and accessibility of TUOYI® among patients. In recent years, we continuously optimized the organizational structure of our commercialization team, which greatly improved the efficiency of execution and sales of our commercialization team, and made positive progress in sales.

– MINDEWEI: MINDEWEI was included in the scope of provisional medical insurance reimbursement in January 2023, and was officially included in the NRDL since January 2024. As at the end of the Reporting Period, MINDEWEI has been used in more than 2,300 hospitals, including community healthcare service centers, secondary hospitals and tertiary hospitals, covering all provinces in the territory. After MINDEWEI was being marketed, the Company actively established a commercialization team, continuously explored sales models, and included a new sales promotion model based on the coverage of its existing internal hospital sales team. All members of the new sales promotion team have extensive experience in promotion in the field of respiratory infections. We will continue to expand the coverage of MINDEWEI in hospitals and further improve the accessibility of MINDEWEI.

– JUNMAIKANG: Under the continuous promotion of our commercialization partners, JUNMAIKANG completed the tendering process on the procurement platform as well as healthcare and insurance connection in 26 provinces as at the end of the Reporting Period, and has been used in 173 hospitals, covering 1,316 pharmacies.

MANAGEMENT DISCUSSION AND ANALYSIS

Efficiently pushed forward R&D pipelines with robust strength to sustain growth

As of the date of this report, the NMPA has approved seven indications of TUOYI®. During the Reporting Period, TUOYI® continued to expand its new indications, with four sNDAs being accepted by the NMPA, and one of which was approved for marketing:

- In April 2023, the sNDA for TUOYI® in combination with chemotherapy as perioperative treatment and subsequently, monotherapy as adjuvant therapy for the treatment of adult patients with resectable stage IIIA-IIIB NSCLC was accepted by the NMPA, which was approved for marketing in December 2023. This is the first and only approved perioperative therapy for lung cancer domestically.

- In May 2023, the sNDA for TUOYI® in combination with paclitaxel for injection (albuminbound) for the treatment of PD-L1 positive (CPS ≥ 1) untreated metastatic or recurrent metastatic triple-negative breast cancer was accepted by the NMPA.

- In July 2023, the sNDA for TUOYI® in combination with axitinib for the first-line treatment of patients with unresectable or metastatic RCC was accepted by the NMPA.

- In July 2023, the sNDA for TUOYI® in combination with etoposidein plus platinum as the first-line treatment of ES-SCLC was accepted by the NMPA, which is the tenth marketing application submitted for TUOYI® in China.

- In September 2023, the primary endpoint of PFS (based on independent radiological review) of a randomized, controlled, multi-center phase III clinical study (NCT03430297) of TUOYI® versus dacarbazine for the first-line treatment of unresectable or metastatic melanoma had met the pre-defined efficacy boundary.

The R&D work of various late-stage drug candidates has also been accelerated. In June and August 2023, each of the FDA and the NMPA agreed that a randomized, double-blind, placebo-controlled, international multi-center phase III clinical study of our anti-BTLA monoclonal antibody tifcemalimab in combination with toripalimab as consolidation therapy in patients with LS-SCLC without disease progression following chemo-radiotherapy may proceed. With the plan to enroll 756 patients in China, the United States, Europe and other places, the enrollment of the phase III clinical study is currently underway.

Based on the exceptional early data with respect to cHL, the Company officially initiated a randomized, open-label, active controlled, multi-center phase III clinical study (NCT06170489) of tifcemalimab in combination with toripalimab for the treatment of cHL. The study is another pivotal registration study of tifcemalimab and also the first phase III clinical study of drugs targeting BTLA in the field of hematological tumors. It aims to evaluate the efficacy and safety of tifcemalimab in combination with toripalimab versus the chemotherapy selected by the investigator for anti-PD-(L)1 monoclonal antibody refractory cHL. Professor Song Yuqin (宋玉琴) from Peking University Cancer Hospital serves as the principal investigator. It is planned for the study to be carried out in approximately 50 research centers in China and approximately 185 patients will be recruited.

MANAGEMENT DISCUSSION AND ANALYSIS

Besides, several phase Ib/II clinical studies of tifcemalimab in combination with toripalimab against multiple types of tumors are underway in China and the United States. We believe that the combination of the two is a promising anti-tumor treatment strategy, which is expected to increase patients' response to immunotherapy and expand the range of potential beneficiaries.

In April 2023, the NDA for ongericimab was accepted by the NMPA. We completed two Phase III clinical studies in patients with primary hypercholesterolemia (including familial and non-familial heterozygous) and mixed hyperlipidemia, a Phase II clinical study in patients with homozygous familial hypercholesterolemia, and a Phase III clinical study in patients with heterozygous hypercholesterolemia. In addition, a Phase III clinical study of monotherapy in patients with primary hypercholesterolemia and mixed hyperlipidemia (statin intolerance and intermediate to low cardiovascular risk) finished the primary analysis.

For our recombinant humanized anti-IL-17A monoclonal antibody (code: JS005), we conducted Phase III registrational clinical study for moderate to severe plaque psoriasis.

In terms of early-stage pipelines, we will continue to focus on promoting the Claudin18.2 ADC drug (code: JS107), the PI3K-α oral small molecule inhibitor (code: JS105), the siRNA drug targeting ANGPTL3 (code: JS401), the anti-CGRP monoclonal antibody (code: JS010), the CD20/CD3 bispecific antibody (code: JS203), the PD-1/VEGF bispecific antibody (code: JS207), PD-1 monoclonal antibody subcutaneous injection formulation (code: JS001sc) and other products. In the course of exploration, in addition to closely tracking the clinical data of relevant indications, we will also pay attention to unmet clinical needs and promote more advantageous products and indications to enter the stage of registrational clinical trials as soon as possible.

Supported business expansion by commercialization capacity, and continued to improve the quality management system

We have two production bases. Both Wujiang production base in Suzhou and Shanghai Lingang production base have been granted with GMP certificates from the NMPA to commence commercial production of biological products. With a fermentation capacity of 4,500L (9*500L), Wujiang production base in Suzhou completed the Pre-License Inspection (PLI) conducted by the FDA in May 2023, and is responsible for the production of the commercial batches of toripalimab in the United States at this stage. Shanghai Lingang production base has a production capacity of 42,000L (21*2,000L). The NMPA granted an approval for Shanghai Lingang production base to produce commercial batches of toripalimab injection jointly with Wujiang production base in Suzhou. By virtue of economies of scale, the expansion of production capacity of the Shanghai Lingang production base will enable us to gain the advantage of having more competitive production costs and support the clinical trials of our drug candidates and future production of commercial batches.

MANAGEMENT DISCUSSION AND ANALYSIS

In order to strictly control quality standards, we have established and continuously improved the quality audit mechanism which combine both internal and external audits. During the Reporting Period, we conducted 12 internal quality audits and received 12 external quality inspections/audits. External quality inspections/audits included the PLI on-site audit (toripalimab injection) by the FDA, the annual supervision and inspection by the Jiangsu Medical Products Administration, and the annual supervision and inspection (unannounced inspections) by the Shanghai Medical Products Administration, with a scope covering MAH management system, organizational structure, production management, quality management, laboratory management, supplier management, materials and warehousing management, equipment management, drug safety, and pharmacovigilance. All entities successfully passed inspections and complied with relevant regulatory requirements.

Attached great importance to talent development, and continued to improve the organizational structure

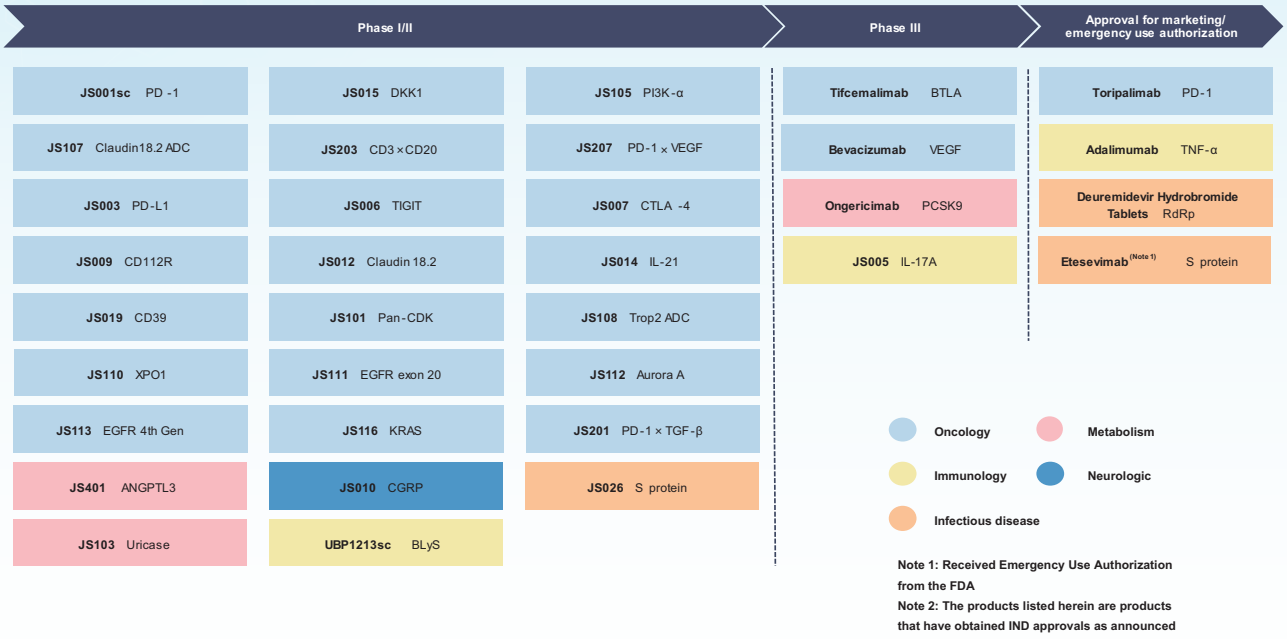
As of the end of the Reporting Period, the Group's number of employees was 2,568, among which 736 employees are responsible for R&D of drugs. We attach importance to the attraction and development of various outstanding talents. We further improve our compensation system by establishing salary ranks 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.

Product Pipelines

Our products concentrate on self-developed biological products with original innovation. At the same time, through co-development, formation of joint enterprises, license-in and other means, we obtained the licenses of drugs or platform technologies that synergized with our own original product pipeline, so as to further expand our product pipeline. After prolonged accumulation of drug development technology, in-depth exploration in the field of translational medicine and the establishment of a new drug type platform, our innovative R&D field has expanded from monoclonal antibodies to the research and development of more drug modalities, including 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 next-generation innovative therapies for cancer and autoimmune diseases. The Company's 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 three drugs (TUOYI®, JUNMAIKANG and MINDEWEI) are being commercialized, around 30 drug candidates are undergoing clinical trials, and over 20 drug candidates are at preclinical drug development stage.

MANAGEMENT DISCUSSION AND ANALYSIS

Projects Entering the Clinical R&D Stage (As of 28 March 2024)



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, and is also the first innovative biological drug independently developed and manufactured in China that was approved for marketing by the FDA, 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, seven 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); treatment in combination with chemotherapy as perioperative treatment and subsequently, monotherapy as adjuvant therapy for the treatment of adult patients with resectable stage IIIA-IIIB NSCLC (December 2023). Two sNDAs of TUOYI® have also been accepted by the NMPA. In addition, TUOYI® has been recommended by the Guidelines of Chinese

MANAGEMENT DISCUSSION AND ANALYSIS

Society of Clinical Oncology ("**CSCO**") for the Diagnosis and Treatment of Melanoma* (《CSCO黑色素瘤診療指南》), for the Diagnosis and Treatment of Head and Neck Tumors* (《CSCO頭頸部腫瘤診療指南》), for the Diagnosis and Treatment of NPC* (《CSCO鼻咽癌診療指南》), for the Diagnosis and Treatment of UC* (《CSCO尿路上皮癌診療指南》), for Immune Checkpoint Inhibitor Clinical Practice* (《CSCO免疫檢查點抑制劑臨床應用指南》), for the Diagnosis and Treatment of Esophageal Cancer* (《CSCO食管癌診療指南》), for the Diagnosis and Treatment of NSCLC* (《CSCO非小細胞肺癌診療指南》) and others.

During the Reporting Period, TUOYI® achieved sales revenue of RMB919 million, representing an increase of approximately 25% as compared with the corresponding period in 2022. As of the end of the Reporting Period, TUOYI® has been sold in more than 5,000 medical institutions and about 2,000 specialty pharmacies and community pharmacies nationwide. Starting from 2024, TUOYI® has three new indications included in the new edition of the NRDL, and there are currently a total of six indications being included in the NRDL. It is the only anti-PD-1 monoclonal antibody included in the NRDL for the treatment of melanoma. The inclusion of new indications of TUOYI® in the NRDL will further expand the coverage of patients with various types of cancers who may gain benefits, reduce the medical burden for patients and their families, and improve the affordability and accessibility of TUOYI® among patients. In recent years, we continuously optimized the organizational structure of our commercialization team, which greatly improved the efficiency of execution and sales of our commercialization team, and made positive progress in sales.

- *Milestones and achievements of clinical development*

Over 40 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.

Progress of clinical trials in China:

– 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 determined that the primary endpoint of EFS had met the pre-defined efficacy boundary. In April 2023, the sNDA for TUOYI® in combination with chemotherapy as perioperative treatment and monotherapy as consolidation therapy after adjuvant therapy for the treatment of resectable stage III NSCLC was accepted by the NMPA. Based on the above research data, in December 2023, the sNDA for toripalimab in combination with chemotherapy as perioperative treatment and subsequently, monotherapy as adjuvant therapy for the treatment of adult patients with resectable stage IIIA-IIIB NSCLC was approved by the NMPA, which became the first and only approved perioperative therapy for lung cancer domestically.

MANAGEMENT DISCUSSION AND ANALYSIS

- 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 determined that the primary endpoint had met the predefined efficacy boundary. In May 2023, the sNDA for TUOYI® in combination with paclitaxel for injection (albumin-bound) for the treatment of PD-L1 positive (CPS ≥ 1) untreated metastatic or recurrent metastatic triple-negative breast cancer was accepted by the NMPA.

- In April 2023, a multi-center, randomized, open-label, active controlled phase III clinical study (RENOTORCH study, NCT04394975) of TUOYI® in combination with axitinib for the first-line treatment of patients with intermediate to high risk, unresectable or distant metastatic RCC finished the pre-specified interim analysis. The IDMC determined that the primary endpoint of PFS (based on independent radiographic review) had met the pre-defined efficacy boundary. In July 2023, the sNDA for TUOYI® in combination with axitinib for the first-line treatment of patients with unresectable or metastatic RCC was accepted by the NMPA.

- In May 2023, the primary endpoint of a randomized, double-blind, placebo-controlled, multi-center phase III clinical study (EXTENTORCH study, NCT04012606) of TUOYI® in combination with etoposidein plus platinum for the first-line treatment of ESSCLC met the pre-defined efficacy boundary. In July 2023, the sNDA for TUOYI® in combination with etoposidein plus platinum as the first-line treatment of ES-SCLC was accepted by the NMPA.

- In June 2023, the dosing of the first patient was completed in a randomized, doubleblind, placebo-controlled, multi-center phase III clinical study (NCT05342194) of the efficacy and safety of TUOYI® in combination with lenvatinib mesylate and GEMOX regimen versus placebo in combination with GEMOX regimen for the first-line treatment of unresectable locally advanced or metastatic intrahepatic cholangiocarcinoma.

- In September 2023, the primary endpoint of PFS (based on independent radiological review) of a randomized, controlled, multi-center phase III clinical study (MELATORCH study, NCT03430297) of toripalimab versus dacarbazine for the first-line treatment of unresectable or metastatic melanoma had met the pre-defined efficacy boundary.

International progress:

- 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.

MANAGEMENT DISCUSSION AND ANALYSIS

– In October 2023, the BLA for toripalimab, in combination with cisplatin and gemcitabine, for the first-line treatment of adults with metastatic or recurrent locally advanced NPC, and for toripalimab, as a single agent, for the treatment of adults with recurrent, unresectable, or metastatic NPC with disease progression on or after platinum-containing chemotherapy was approved by the FDA. Toripalimab is the first and only drug approved in the United States for the treatment of NPC, and is also the first innovative biological drug independently developed and manufactured in China that was approved for marketing by the FDA.

– In December 2023, the NCCN updated the clinical practice guidelines for head and neck cancers to version 2024.v2, which included toripalimab in combination with cisplatin and gemcitabine as a preferred category 1 first-line treatment for patients with recurrent, unresectable, or metastatic NPC, and recommended toripalimab monotherapy as the only preferred treatment for patients with recurrent, unresectable, or metastatic NPC with disease progression on or after platinum-containing chemotherapy.

– In December 2023, the NCE application for toripalimab in combination with cisplatin and gemcitabine, for the first-line treatment of adults with metastatic or recurrent locally advanced NPC, and for toripalimab, as a single agent, for the treatment of adults with recurrent, unresectable, or metastatic NPC with disease progression on or after platinum-containing chemotherapy was accepted by the TGA. Additionally, the TGA also granted an orphan drug designation to toripalimab for the treatment of NPC.

– In January 2024, the NDA for toripalimab in combination with cisplatin and gemcitabine, for the first-line treatment of adults with metastatic or recurrent locally advanced NPC, and for toripalimab, as a single agent, for the treatment of adults with recurrent, unresectable, or metastatic NPC with disease progression on or after platinum-containing chemotherapy has been accepted by the HSA, which was granted a priority review designation.

• *Publication of academic results*

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 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: 39.3), a journal of *Nature*.

– In April 2023, a prospective phase II clinical study (EC-CRT-001) was published online in *The Lancet Oncology* (IF: 51.1), a leading international oncology journal, which confirmed the safety and efficacy of PD-1 antibody (toripalimab) in combination with radical radiotherapy and chemotherapy in patients with locally advanced ESCC for the first time, and provides the latest strong evidence for the application of immunotherapy in locally advanced esophageal cancer.

MANAGEMENT DISCUSSION AND ANALYSIS

– In April 2023, the latest prospective translational research results of advanced ESCC by a team led by Professor Xu Ruihua (徐瑞華) from the Sun Yat-sen University Cancer Center* (中山大學腫瘤防治中心) were published online in Cancer Cell (IF: 50.3). In this study, based on the gene sequencing data of the JUPITER-06 study, the team led by Professor Xu Ruihua established the Esophageal cancer Genome-based Immunooncology Classification (EGIC) based on genomic characteristics, which broadened the direction of biomarker exploration of the first-line "PD-1 antibody + chemotherapy" model for advanced ESCC, and provides a new approach of immunotherapy decision-making for advanced ESCC.

– In June 2023, we attended the 2023 ASCO annual meeting with 26 of our research results regarding innovative tumor immunology drugs, including five oral reports, 15 poster discussions/presentations, and six abstract presentations, covering 10 tumor types including lung cancer, breast cancer, nasopharyngeal cancer, gastrointestinal tumors, urothelial carcinoma and melanoma, which gained global attention. Our key research included:

  - TORCHLIGHT study: Reduced the risks of disease progression or death by 35%. The results of Phase III study (TORCHLIGHT study) of toripalimab in combination with paclitaxel (albumin-bound) in patients with initial diagnosis of stage IV or recurrent metastatic triple-negative breast cancer were firstly published in the fast abstract session of the ASCO annual meeting in the form of a late-breaking abstracts (LBA), and was published in *Nature Medicine* (IF: 82.9), a top international medical journal in January 2024.

  - NEOTORCH study: The first to achieve positive EFS results in the world, and reduced the risks of disease recurrence, progression or death by as much as 60%. NEOTORCH study (NCT04158440) is a randomized, double-blind, placebo-controlled phase III clinical study, enrolled a total of 404 patients with stage III NSCLC, and is the world's first phase III clinical study of anti-PD-1 monoclonal antibody for the treatment of NSCLC in the perioperative period (covering neoadjuvant and adjuvant therapy) with positive EFS results. In January 2024, the research results were further published in *Journal of the American Medical Association* (*JAMA*, IF: 120.7).

  - CHOICE-01 study: Released the final OS data, in which the median OS of patients with non-squamous NSCLC reached 27.8 months. CHOICE-01 study (NCT03856411) is a randomized, double-blind, placebo-controlled, multi-center phase III clinical study of anti-PD-1 monoclonal antibody in combination with chemotherapy as first-line treatment, and enrolled a total of 465 newly diagnosed patients without EGFR/ALK mutation with advanced NSCLC. The study was published in international academic conferences for multiple times, and was published in *Journal of Clinical Oncology* (IF: 45.3), an internationally renowned journal.

  - JUPITER-02 study: Significantly extended the OS of patients with advanced NPC, with the three-year OS rate reaching 64.5%. The JUPITER-02 study (NCT03581786) is the first international multi-center, randomized, double-blind, placebo-controlled phase III clinical study in the field of NPC immunotherapy, aiming to evaluate toripalimab in combination with gemcitabine and cisplatinin for the first-line treatment of recurrence or metastatic NPC, and enrolled a total of 289 patients with recurrent or metastatic NPC who had not received chemotherapy. In November 2023, the final results of the study were published in *Journal of the American Medical Association* (*JAMA*, IF: 120.7).

MANAGEMENT DISCUSSION AND ANALYSIS

- NEOSUMMIT-01 study: In the study of PD-1 inhibitors in the perioperative treatment of locally advanced gastric cancer, the proportion of patients with pathological complete regression/moderate regression rate (TRG 0/1) reached 44.4%. The study is the first randomized, controlled study of PD-1 inhibitors in combination with chemotherapy in the perioperative treatment of locally advanced gastric cancer in China. The study showed that toripalimab in combination with chemotherapy significantly increased the proportion of patients who achieved pathological complete regression/moderate regression (TRG 0/1) compared with chemotherapy alone. In January 2024, the final results of the study were published in *Nature Medicine* (IF: 82.9).

– In September 2023, *Signal Transduction and Targeted Therapy* (*STTT*, IF: 39.3) published the full text of the results of a single-center, single-arm Phase II study (NCT03951597) of toripalimab in combination with lenvatinib and GEMOX for the first-line treatment of advanced intrahepatic cholangiocarcinoma.

– In October 2023, a total of 11 study results on toripalimab were selected at the 2023 annual meeting of the European Society for Medical Oncology (ESMO), including a Late-breaking Abstracts (LBA), 2 Proffered Paper Sessions and 8 posters, covering 10 fields including lung cancer, renal cancer, head and neck cancer, breast cancer, colorectal cancer, cervical cancer, thymus cancer, and lymphoma, which gained global attention. Our key research included:

  - RENOTORCH study: As at 31 March 2023, the results of the interim analysis of the RENOTORCH study (NCT04394975) showed that, compared with sunitinib monotherapy, toripalimab in combination with axitinib for the first-line treatment significantly improved the PFS of patients with unresectable or metastatic RCC. The median PFS assessed by blinded independent central review (BICR) was 18.0 vs. 9.8 months, and the risk of disease progression or death was reduced by 35% (HR=0.65; 95% C1: 0.49-0.86), P=0.0028. PFS benefits from toripalimab in combination with axitinib were observed in all subgroups. The ORR was also improved with a good safety profile. The full text was simultaneously published in *Annals of Oncology* (IF: 50.5), an official and authoritative journal of ESMO.

  - EXTENTORCH study: In May 2023, the primary endpoints of the EXTENTORCH study had met the pre-defined efficacy boundary, and toripalimab thus became the first PD-1 inhibitor in the world which had met the primary endpoints of both OS and PFS in the Phase III study for the first-line treatment of ES-SCLC. The study results showed that, compared to chemotherapy alone, toripalimab in combination with chemotherapy for the first-line treatment of ES-SCLC could significantly prolong the PFS and OS of patients.

– In December 2023, a total of seven study results on toripalimab were selected at the 2023 annual meeting of the ESMO Immuno-Oncology Congress (ESMO-IO) and 2023 annual meeting of the ESMO ASIA, including one Proffered Paper Session, one oral presentation and five posters, covering the fields of nasopharyngeal cancer, lung cancer, colorectal cancer, urothelial carcinoma and breast cancer, encompassing a full range of perioperative and advanced-stage treatments.

R&D Progress of Toripalimab (As of 28 March 2024)

Therapeutic Area	Medicine Code	Clinical Trial Number	Indications	Pre-Clinical / Phase I / Phase II / Phase III / NDA
Oncology	JS001 Toripalimab	NCT03013101	Melanoma (second-line treatment, monotherapy)	NMPA approved on 17 December 2018
		NCT02915432	Nasopharyngeal carcinoma (second-line and later treatment, monotherapy)	NMPA approved (third-line) in February 2021, FDA approved in October 2023, marketing application accepted by multiple locations
		NCT03113266	Urothelial carcinoma (second-line treatment, monotherapy)	NMPA approved in April 2021
		NCT03581786	Nasopharyngeal carcinoma (first-line treatment, combo with chemo)	NMPA approved in November 2021, FDA approved in October 2023, marketing application accepted by multiple locations
		NCT03829969	Esophageal squamous cell carcinoma (first-line treatment, combo with chemo)	NMPA approved in May 2022, marketing application accepted by EMA and MHRA
		NCT03856411	EGFR negative non-small cell lung cancer (first-line treatment, combo with chemo)	NMPA approved in September 2022
		NCT04158440	Non-small cell lung cancer (perioperative treatment)	NMPA approved in December 2023
		NCT04085276	Triple negative breast cancer (combo with albumin-bound paclitaxel)	sNDA accepted by the NMPA
		NCT04394975	Renal cell carcinoma (first-line treatment, combo with axitinib)	sNDA accepted by the NMPA
		NCT04012606	Small cell lung cancer (first-line treatment, combo with chemo)	sNDA accepted by the NMPA
		NCT03430297	Melanoma (first-line treatment, monotherapy)	Pivotal registered clinical trial
		NCT03924050	EGFR mutated TKI failed terminal stage non-small cell lung cancer (combo with chemo)	Pivotal registered clinical trial
		NCT04848753	Esophageal squamous cell carcinoma (perioperative treatment)	Pivotal registered clinical trial
		NCT04523493	Hepatocellular carcinoma (first-line treatment, combo with lenvatinib)	Pivotal registered clinical trial
		NCT04723004	Hepatocellular carcinoma (first-line treatment, combo with bevacizumab)	Pivotal registered clinical trial
		NCT03859128	Hepatocellular carcinoma (postoperative adjuvant treatment)	Pivotal registered clinical trial
		NCT05342194	Intrahepatic cholangiocarcinoma (first-line treatment, combo with lenvatinib and chemo)	Pivotal registered clinical trial
		NCT05302284	Urothelial carcinoma (first-line treatment, combo with disitamab vedotin)	Pivotal registered clinical trial
		NCT05180734	Adenocarcinoma of the stomach or gastroesophageal junction (postoperative adjuvant treatment)	Pivotal registered clinical trial

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

MINDEWEI was included in the scope of provisional medical insurance reimbursement in January 2023, and was officially included in the NRDL since January 2024. As at the end of the Reporting Period, MINDEWEI has been used in more than 2,300 hospitals, including community healthcare service centers, secondary hospitals and tertiary hospitals, covering all provinces in the territory. After MINDEWEI was being marketed, the Company actively established a commercialization team, continuously explored sales models, and included a new sales promotion model based on the coverage of its existing internal hospital sales team. All members of the new sales promotion team have extensive experience in promotion in the field of respiratory infections. We will continue to expand the coverage of MINDEWEI in hospitals and further improve the accessibility of MINDEWEI.

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. Tifcemalimab entered phase III clinical stage with several phase Ib/II clinical studies in combination with toripalimab against multiple types of tumors underway in China and the United States. We believe that the combination of the two is a promising anti-tumor treatment strategy, which is expected to increase patients' response to immunotherapy and expand the range of potential beneficiaries.

- *Publication of academic results*

  – On 4 June 2023, we displayed a poster (Abstract No.: #8579) containing preliminary data from the phase I/II clinical study of tifcemalimab for the treatment of ES-SCLC for the first time at the 2023 ASCO annual meeting. As of 14 March 2023 (a median follow-up of 26.4 weeks), among the 20 newly diagnosed patients with evaluable efficacy of tumor immunotherapy (I-O), the ORR of tifcemalimab in combination with toripalimab was 40.0% (95%CI: 19.1-63.9); the DCR was 70.0% (95%CI: 45.7-88.1); the median duration of response ("**DoR**") was 6.9 months (95%CI: 1.4-6.9), of which three patients (15.0%) had a DoR of more than six months; the median PFS was 5.5 months (95%CI: 1.4-6.4).

  – At the 65th annual meeting of the American Society of Hematology (ASH) in December 2023, we announced the updated data from the Phase I clinical study of tifcemalimab for the treatment of patients with relapsed or refractory ("**R/R**") lymphoma (Abstract Number: #4458). Patients with R/R lymphoma who had previously undergone multiple lines of treatment received tifcemalimab in combination with toripalimab, an anti-PD-1 monoclonal antibody, which showed durable efficacy, with an ORR of 37.0% and a DCR of 80.4%. In particular, in patients with cHL who had failed previous anti-PD-1/L1 antibody treatment, the ORR reached 35.3%, the DCR reached 85.3%, and the estimated median PFS was 16.2 months.

MANAGEMENT DISCUSSION AND ANALYSIS

- *Milestones and achievements of clinical development*

  We initiated two Phase III registrational clinical trials for tifcemalimab:

  – In June and August 2023, each of the FDA and the NMPA agreed that a randomized, double-blind, placebo-controlled, international multi-center phase III clinical study (NCT06095583, code: JUSTAR-001) of tifcemalimab in combination with toripalimab as consolidation therapy in patients with LS-SCLC without disease progression following chemo-radiotherapy may proceed. As the first confirmatory study of a monoclonal antibody targeting BTLA, this study is aimed to evaluate the efficacy and safety of tifcemalimab in combination with toripalimab compared to toripalimab alone and compared to placebo as consolidation therapy used in LS-SCLC patients without disease progression following chemoradiotherapy, and is led by academician Yu Jinming (於金明) from the Cancer Hospital affiliated to Shandong First Medical University* (山東第一醫科大學附屬腫瘤醫院), as the global principal investigator. With the plan to be carried out in more than 180 research centers in 15 countries and regions around the world, including China, the United States, and Europe, this study will recruit about 756 subjects. At present, this study has completed the world's first patient enrollment (FPI) and the first drug administration, and has made sound progress at the enrollment stage;

  – In December 2023, we initiated a randomized, open-label, active controlled, multicenter phase III clinical study (NCT06170489) of tifcemalimab in combination with toripalimab for the treatment of cHL. The study is another pivotal registration study of tifcemalimab and also the first phase III clinical study of drugs targeting BTLA in the field of hematological tumors. It aims to evaluate the efficacy and safety of tifcemalimab in combination with toripalimab versus the chemotherapy selected by the investigator for anti-PD-(L)1 monoclonal antibody refractory cHL. Professor Song Yuqin (宋玉琴) from Peking University Cancer Hospital serves as the principal investigator. It is planned for the study to be carried out in approximately 50 research centers in China and approximately 185 patients will be recruited.

In addition, several phase Ib/II clinical studies of tifcemalimab in combination with toripalimab against multiple types of tumors are underway in China and the United States. Upon further data collection, we will make plans for subsequent registrational clinical studies based on our clinical data and communication with regulators to promote the application and commercialization of tifcemalimab in combination with toripalimab in more tumor types.

R&D Progress of Tifcemalimab

Therapeutic Area	Target	Indications	Mono or combo	Pre-Clinical / Phase I / Phase II / Phase III	Locations of Clinical Trial
Oncology	BTLA tifcemalimab	Lung cancer: Limited stage small cell lung cancer	tifcemalimab+toripalimab	Phase III	International multi-center
		Lung cancer: Extensive-stage small cell lung cancer (first line)	tifcemalimab+toripalimab+chemo	Phase II	China
		Lung cancer: Refractory extensive-stage small cell lung cancer	tifcemalimab+toripalimab	Phase II	China
		Lung cancer: Advanced non-small cell lung cancer (first line)	tifcemalimab+toripalimab±chemo	Phase II	China
		Lung cancer: Advanced non-small cell lung cancer (≥ second line)	tifcemalimab+toripalimab	Phase II	China
		Classic Hodgkin Lymphoma	tifcemalimab+toripalimab	Phase III	China
		Advanced head and neck cancer	tifcemalimab±toripalimab	Phase II	China
		Melanoma	tifcemalimab±toripalimab	Phase II	China
		Renal cell carcinoma	tifcemalimab±toripalimab	Phase II	China
		Urothelial carcinoma	tifcemalimab±toripalimab	Phase II	China
		Advanced malignancies (solid tumors and lymphomas)	tifcemalimab±toripalimab	Phase I	United States
		Advanced solid tumors	tifcemalimab+toripalimab	Phase I	China
		Malignant lymphoma	tifcemalimab±toripalimab	Phase I	China

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. Under the continuous promotion of our commercialization partners, JUNMAIKANG completed the tendering process on the procurement platform as well as healthcare and insurance connection in 26 provinces as at the end of the Reporting Period, and has been used in 173 hospitals, covering 1,316 pharmacies.

Ongericimab (code: JS002)

Ongericimab is a recombinant humanized anti-PCSK9 monoclonal antibody independently developed by us. The Company completed two Phase III clinical studies in patients with primary hypercholesterolemia (including familial and non-familial heterozygous) and mixed hyperlipidemia, a Phase II clinical study in patients with homozygous familial hypercholesterolemia, and a Phase III clinical study in patients with heterozygous hypercholesterolemia. In addition, a Phase III clinical study of monotherapy in patients with primary hypercholesterolemia and mixed hyperlipidemia (statin intolerance and intermediate to low cardiovascular risk) finished the primary analysis.

In April 2023, the NDA for ongericimab was accepted by the NMPA for the treatment of: (1) primary hypercholesterolemia (including familial and non-familial heterozygous) and mixed dyslipidemia; and (2) homozygous familial hypercholesterolemia in adults or adolescents aged 12 or above.

In November 2023, the results of the Phase III clinical study of ongericimab in the treatment of primary hypercholesterolemia and mixed dyslipidemia were presented in detail in the form of a poster (Abstract No.: #3207) at the 2023 American Heart Association (AHA) Scientific Sessions. Subcutaneously injecting Ongericimab with a dose of 150 mg once every 2 weeks or 300 mg once every 4 weeks could significantly reduce LDL-C of patients, reducing the LDL-C of the vast majority of patients with ultra-high (extreme) risk in cardiovascular diseases to the target level and maintaining stable decreases during 52 weeks of treatment, while significantly improving other blood lipid parameters. The overall safety profile of ongericimab was favorable, with the incidence of treatment-emergent adverse events (TEAEs) comparable to placebo.

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 III registrational clinical study of JS005 for moderate to severe plaque psoriasis has commenced.

MANAGEMENT DISCUSSION AND ANALYSIS

At the 2023 annual meeting of the American College of Rheumatology (ACR), we announced the results of the Phase Ib/II clinical study of JS005 for the treatment of patients with moderate to severe psoriasis for the first time. The study results showed that JS005 has a good safety profile in the treatment of patients with moderate to severe plaque psoriasis. Compared with placebo, JS005 significantly improved the PASI of patients ($p<0.0001$). The data from the Phase II study showed that, the proportion of the patients in the JS005 treatment group achieved PASI 75 (i.e. with at least 75% improvement in the PASI from baseline) at week 12 was significantly higher than those in the placebo group (JS005 150mg vs. JS005 300mg vs. placebo: 95.8% vs. 89.4% vs. 8.3%; $p<0.0001$). Besides, the proportion of the patients in the JS005 treatment group achieved PASI 90 at week 12 was also significantly higher than those in the placebo group (77.1% vs. 74.5% vs. 4.2%; $p<0.0001$).

Clinical Progress of Other Products in the Early Stage of R&D during the Reporting Period

Recombinant humanized anti-PD-1/VEGF bispecific antibody (code: JS207)

JS207 is a recombinant humanized anti-PD-1/VEGF bispecific antibody self-developed by us, mainly used for the treatment of advanced malignant tumors. In view of the co-expression of VEGF and PD-1 in the tumor microenvironment, JS207 can simultaneously bind to PD-1 and VEGFA with high affinity, block the binding of PD-1 to PD-L1 and PD-L2 while blocking the binding of VEGF to the VEGF receptor. JS207 has the efficacy properties of both immunotherapeutic drugs and anti-angiogenic drugs, and can utilize the synergistic effects of immunotherapy and anti-angiogenesis to achieve better anti-tumor activity. The combination therapy with PD-1 antibody and VEGF blocking agent has shown strong efficacy in a variety of tumor types such as RCC, NSCLC and hepatocellular carcinoma. Compared with combination therapy, JS207 as a single agent blocking both targets, may be more effective in blocking both pathways and thus enhancing anti-tumor activity. Preclinical in vivo efficacy trials have demonstrated that JS207 has a significant anti-tumor effect, presenting a dose effect as well. In addition, JS207 is well tolerated by animals. As of the date of this report, there is no bispecific antibody drug with similar targets approved for marketing domestically and overseas. In August 2023, the IND application for JS207 was approved by the NMPA. In September 2023, the dosing of the first subject was completed for JS207.

siRNA drug targeting ANGPTL3 mRNA (code: JS401)

JS401 is a siRNA drug targeting ANGPTL3 mRNA jointly developed by us and Risen (Shanghai) Medical Technology Co., Ltd.* (潤佳(上海)醫藥技術有限公司), 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 April 2023, the IND application for JS401 was approved by the NMPA.

MANAGEMENT DISCUSSION AND ANALYSIS

Recombinant humanized anti-CGRP monoclonal antibody injection (code: JS010)

JS010 is a recombinant humanized anti-CGRP monoclonal antibody injection independently developed by us, which is mainly used for the preventive treatment of migraine in adults. CGRP is a 37 amino acid neuropeptide that is expressed in the central and peripheral nervous system of mammals and is generally divided into two subtypes: α-CGRP and β-CGRP. CGRP peptide levels increase during the onset of migraine, the symptoms of which can be improved by CGRP antagonist treatment. The results of preclinical studies have shown that JS010 can bind to human α-CGRP and β-CGRP proteins with high affinity, and cell biological activity studies based on the reporter gene system have shown that JS010 can effectively bind to α-CGRP or β-CGRP peptides, blocking its combination with receptors, thereby inhibiting the intracellular cAMP signaling pathway, which in turn plays a role in migraine prevention. Preclinical in vivo pharmacodynamics showed that JS010 has a significant inhibitory effect on vasodilation. In addition, JS010 is well tolerated by animals, with no significant abnormalities seen in all animals during the study. As of the date of this report, a total of eight products targeting CGRP or its receptor have been approved for marketing globally, and a total of three imported products targeting CGRP or its receptor have been approved for marketing in China. In March 2023, the IND application for JS010 was approved by the NMPA.

PI3K-α inhibitor (code: JS105)

JS105 is an oral small molecule inhibitor targeting PI3K-α jointly developed by the Company and Risen (Suzhou) Pharma Tech Co., Ltd.* (潤佳(蘇州)醫藥科技有限公司), and is primarily used in the treatment of female (postmenopausal) and male patients with hormone receptor (HR)-positive, human epidermal growth factor receptor 2 (HER-2)-negative, PIK3CA-mutated, advanced breast cancer who are experiencing disease progression during or after treatment with endocrine-based regimens. Preclinical 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. In May 2022 and July 2022, the IND application for JS105 was approved by the NMPA and the FDA, respectively. In November 2023, the IND application for JS105 in combination with other anti-tumor therapies was approved by the NMPA, and the phase I/II clinical studies on the combination treatment are 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 preclinical 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. In June 2023, the IND application for JS107 in combination with other anti-tumor therapies was approved by the NMPA, which further expanded the scope of exploration of JS107 in anti-tumor treatment. The phase I/II clinical studies on the JS107's monotherapy and combination treatment are currently underway.

MANAGEMENT DISCUSSION AND ANALYSIS

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 other R&D fields such as small molecules 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 the 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.

FINANCIAL REVIEW

1. Revenue

As at 31 December 2023, total revenue reached approximately RMB1,503 million, representing an increase of approximately 3% compared to the corresponding period in 2022, which includes revenue from pharmaceutical products of approximately RMB1,190 million, increased by approximately 58% compared to the corresponding period in 2022, which was mainly due to approval and launch of more indications for TUOYI®, improvement of JUNMAIKANG's supply capacity and the marketing approval of MINDEWEI at the beginning of the Reporting Period. During the Reporting Period, the sales revenue of TUOYI® was approximately RMB919 million, representing an increase of approximately 25% compared to the corresponding period in 2022.

2. R&D Expense

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

During the Reporting Period, R&D expenses were approximately RMB1,937 million, which decreased by approximately RMB447 million as compared to the corresponding period in 2022, representing a decrease of approximately 19%. R&D expenses included clinical research and technical service expenses of approximately RMB1,263 million, staff salary and welfare expenses of approximately RMB469 million, depreciation and amortization expenses of approximately RMB124 million, share-based payment expenses of approximately RMB10 million and other operating expenses of approximately RMB71 million. In particular, clinical research and technical service expenses and share-based payment expenses decreased by approximately 26% and 79%, while staff salary and welfare expenses, depreciation and amortization expenses and other operating expenses increased by approximately 1%, 8% and 34% as compared to the corresponding period in 2022, respectively.

The decrease in R&D expenses was mainly due to the Group's control of R&D investments in certain early-stage pipelines, while optimizing resource allocation and focusing on R&D pipelines with greater potential.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Selling and Distribution Expenses

Selling and distribution expenses mainly include staff salary and welfare expenses, 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 RMB844 million, which increased by approximately RMB128 million as compared to the corresponding period in 2022, representing an increase of approximately 18%. Selling and distribution expenses included staff salary and welfare expenses of approximately RMB436 million, expenses for marketing and promotion activities of approximately RMB380 million and other operating expenses of approximately RMB28 million. In particular, staff salary and welfare expenses, expenses for marketing and promotion activities and other operating expenses increased by approximately 9%, 32% and 16% respectively, while share-based payment expenses decreased by approximately 100% as compared to the corresponding period in 2022.

The increase in selling and distribution expenses was mainly due to additional demand for market promotion of new indications for TUOYI®, the newly launched MINDEWEI and JUNMAIKANG, which led to the increase of marketing and promotion expenses, and staff salary and welfare expenses.

4. Administrative expenses

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

During the Reporting Period, administrative expenses amounted to approximately RMB557 million, which decreased by approximately RMB21 million as compared to the corresponding period in 2022, representing a decrease of approximately 4%. Administrative expenses included administrative staff cost of approximately RMB242 million, depreciation and amortization expenses of approximately RMB117 million, office administration expenses of approximately RMB100 million, share-based payment expenses of approximately RMB8 million and other miscellaneous expenses of approximately RMB90 million. In particular, administrative staff cost and share-based payment expenses decreased by approximately 8% and 73% respectively, while depreciation and amortization expenses, office administration expenses and other miscellaneous expenses increased by approximately 2%, 2% and 23% as compared to the corresponding period in 2022.

The decrease in administrative expenses was mainly due to (i) the effective implementation of cost control policy; and (ii) the reduction of share-based compensation.

5. Liquidity and Capital Resources

As at 31 December 2023, bank balances and cash decreased to approximately RMB3,778 million from approximately RMB5,997 million as at 31 December 2022. The decrease in bank balances and cash mainly came from net cash outflow of approximately RMB2,015 million from operating activities and net cash outflow of approximately RMB892 million from investing activities, which was partially offset by net cash inflow of approximately RMB681 million from financing 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 gains or 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:

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
IFRS total comprehensive expense for the year	**(2,607,540)**	(2,650,714)
Add:		
Share-based payment expenses	**22,984**	91,911
Net exchange losses/(gains)	**2,661**	(50,052)
Adjusted total comprehensive expense for the year	**(2,581,895)**	(2,608,855)

MANAGEMENT DISCUSSION AND ANALYSIS

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

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) with a nominal value of RMB1.00 to the public in a public offering in July 2020 at the issue price of RMB55.50 per share to allow the Company access a more established platform in the PRC capital market. 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 2022 RMB'000	Proceeds utilized during the Reporting Period RMB'000	Utilized proceeds as at 31 December 2023 RMB'000	Unutilized proceeds as at 31 December 2023 RMB'000	Expected timeline for application of the unutilized proceeds
Research and development projects of innovative drugs	1,200,000	–	16,671	1,216,671	–	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	–	14,582	824,509	–	Was fully utilized by 30 June 2022
Surplus proceeds	1,796,978	751,217	488,178	1,566,365	233,768	Expected to be fully utilized by 31 December 2024
	4,496,978(Note 1)	751,217(Note 2)	519,431(Note 2)	4,307,545(Note 1)	233,768(Notes 1 & 2)	

Notes:

1. The difference between (i) the sum of utilized proceeds and the unutilized proceeds and (ii) the net proceeds from the issuance represents bank charges, foreign exchange gains 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 2023 and (ii) unutilized proceeds as at 31 December 2022 represents bank charges, foreign exchange losses and 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 were 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 shareholder 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 Stock Exchange of Hong Kong Limited. 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 2023, approximately RMB2,098 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, subject to changes 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 2023:

Purpose of the proceeds	Intended use of the net proceeds (Approx. RMB million)	Unutilized proceeds as at 31 December 2022 (Approx. RMB million)	Proceeds utilized during the Reporting Period (Approx. RMB million)	Proceeds utilized as at 31 December 2023 (Approx. RMB million)	Unutilized proceeds as at 31 December 2023 (Approx. RMB million)	Expected timeline for application of the unutilized proceeds
R&D of drugs and pipeline expansion	815	8	6	812	2	Expected to be fully utilized by 30 June 2024
Expansion of the commercialization team	1	–	–	1	–	Was fully utilized by 31 December 2022
Domestic and overseas investment, mergers and acquisitions & business development	285	–	–	285	–	Was fully utilized by 30 June 2022
General corporate purpose	1,003	–	–	1,000	–	Was fully utilized by 31 December 2022
	2,104[Note]	8	6	2,098[Note]	2[Note]	

Note:

The difference between (i) the sum of proceeds utilized and the unutilized proceeds and (ii) the net proceeds from the Placing represents bank charges, 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) with a nominal value of RMB1.00 to 17 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 2 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 2 December 2022 was RMB61.23 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)	Unutilized proceeds as at 31 December 2022 (Approx. RMB million)	Proceeds utilized during the Reporting Period (Approx. RMB million)	Proceeds utilized as at 31 December 2023 (Approx. RMB million)	Unutilized proceeds as at 31 December 2023 (Approx. RMB million)	Expected timeline for application of the unutilized proceeds
R&D projects of innovative drugs	3,464	3,324	247	387	3,077	Expected to be fully utilized by 31 December 2026
Shanghai Junshi Biotech headquarters and R&D base project	281	211	74	144	137	Expected to be fully utilized by 31 December 2026
	3,745	3,535	321	531	3,214	

DIVIDENDS

No dividend was paid or declared by the Company during the years ended 31 December 2023 and 2022, 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	
	2023	2022
	RMB'000	RMB'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(2,281,624)**	(2,386,067)

Number of shares:

	Year ended 31 December	
	2023	2022
Weighted average number of ordinary shares for the purpose of basic loss per share	**985,302,166**	917,465,166

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2023 excludes shares of treasury stock repurchased and has been adjusted for the issuance of 2,818,231 shares upon the exercise of RSUs on 2 February 2023.

The weighted average number of ordinary shares for the purpose of basic loss 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 2023 and 31 December 2022 do not assume the exercise of the Company's outstanding RSUs as this would result in a decrease in loss per share. Accordingly, diluted loss per share for the years ended 31 December 2023 and 2022 are the same as basic loss per share for the respective year.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERESTS IN JOINT VENTURES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Cost of investments in joint ventures	**80,000**	111,000
Share of post-acquisition losses	**(5,344)**	(1,494)
	74,656	109,506

On 20 September 2023, the Group acquired 49% equity interest in Shanghai Ruotuo Biotechnology Co., Ltd.* 上海偌妥生物科技有限公司 ("**Ruotuo Bio**") from an associate of the Group, Anwita Biosciences, Inc., with a paid cash consideration of RMB50,000,000. Upon the completion of the transaction, Ruotuo Bio became a joint venture of the Group.

During the year ended 31 December 2023, the Group disposed the entire interest of Shanghai Linjing Economic Development Co., Ltd.* 上海臨境經濟發展有限公司 (formerly known as Shanghai Lijing Biosciences Technology Limited* 上海禮境生物醫藥科技有限公司) and Beijing Tianshi Pharmaceutical Technology Co., Ltd.* 北京天實醫藥科技有限公司 to third parties for proceeds of RMB78,366,000 and RMB1,152,000, respectively.

INTERESTS IN ASSOCIATES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Cost of investments in associates	**211,961**	501,961
Share of post-acquisition losses	**(44,041)**	(118,828)
	167,920	383,133

On 6 November 2023, the Group disposed the entire interest of Shanghai Junpai Yingshi Pharmaceutical Co., Ltd.* 上海君派英實藥業有限公司 ("**JPYP**") to Impact Therapeutics, Inc.* 南京英派藥業有限公司, the holding company of JPYP, for a proceed of RMB300,000,000. A gain on disposal of RMB130,240,000 was resulted.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE RECEIVABLES

Trade receivables increased from approximately RMB233 million as at 31 December 2022 to approximately RMB480 million as at 31 December 2023, mainly due to increase in revenue from out-licensing recognized in the fourth quarter of 2024 and increase in revenue from pharmaceutical products during the Reporting Period.

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables	**498,080**	232,743
Less: Allowance for credit losses	**(18,357)**	(18)
	479,723	232,725

The trade receivables are receivables from contracts with customers.

The aged analysis of the Group's trade receivables net of allowance for credit losses, based on invoice date, at the end of each reporting period are as follows:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
0 – 90 days	**462,972**	232,725
91 – 180 days	**9,484**	–
Over 180 days	**7,267**	–
	479,723	232,725

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB206,151,000 (2022: Nil) which are past due and the impairment amount is RMB18,357,000.

Out of the past due balance, RMB8,388,000 (2022: Nil) has been past due 90 days or more and is not considered as in default as they are due from customers with good reputation and lower risk of default.

Subsequent to the year end, the payment schedule for the Group's trade receivables balance amounting to RMB177,068,000 was revised. Based on the revised payment schedule, RMB88,534,000 will be due in the second quarter of 2024 and the remainder will be due in the first quarter of 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES

Other assets, prepayments and other receivables increased from approximately RMB708 million as at 31 December 2022 to approximately RMB933 million as at 31 December 2023, mainly due to increase in consideration receivables arising from equity transfer transactions.

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Deposits		
– current	**27,139**	17,933
– non-current	**29,265**	26,817
Prepayments		
– current *(Note a)*	**245,217**	239,822
– non-current *(Note b)*	**101,175**	293,562
Amount due from a partner of a joint operation *(Note c)*	**3,900**	5,853
Interest receivables	**530**	2,719
Value added tax ("VAT") recoverable *(Note d)*		
– current	**134,194**	79,424
– non-current	**57,948**	42,370
Right to returned goods asset *(Note e)*	**–**	–
Consideration receivables arising from equity transfer transactions	**339,167**	–
	938,535	708,500
Less: Allowance for credit losses	**(5,759)**	(614)
	932,776	707,886
Analysis as		
– current	**744,388**	345,137
– non-current	**188,388**	362,749
	932,776	707,886

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. During the year ended 31 December 2023, impairment losses of RMB27,187,000 (2022: Nil) were recognised on prepayments relating to purchase of raw materials, due to anticipated decrease of product selling price.

(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) Included in VAT recoverable are RMB134,194,000 (2022: RMB79,424,000) presented as current assets as at 31 December 2023 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 RMB57,948,000 (2022: RMB42,370,000) are therefore presented as non-current assets as at 31 December 2023.

(e) During the year ended 31 December 2023, impairment losses of RMB5,710,000 (2022: Nil) were recognised on right to returned goods asset.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE AND OTHER PAYABLES

Trade and other payables increased from approximately RMB1,338 million as at 31 December 2022 to approximately RMB1,706 million as at 31 December 2023, mainly due to increase in accrued construction cost related to the construction of Suzhou Junao Cancer Hospital project and Shanghai Junshi Biotech headquarters and R&D base project.

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables		
– third parties	**247,264**	281,600
Accrued expenses in respect of:		
– construction costs	**479,284**	133,382
– research and development expenses *(Note a)*	**408,516**	415,751
– selling and distribution expenses	**133,997**	65,783
– others	**97,137**	75,205
Payable to licensor *(Note b)*	**–**	69,097
Payable to a collaboration party under collaboration agreement *(Note c)*	**14,947**	16,639
Salary and bonus payables	**234,202**	191,903
Other tax payables	**41,411**	35,187
Payable for transaction costs for the issue of new shares	**–**	2,898
Other payables	**49,257**	50,955
	1,706,015	1,338,400

Payment terms with suppliers are mainly with credit term of 0 days to 90 days (2022: 0 days to 90 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	
	2023	2022
	RMB'000	RMB'000
0 – 30 days	**60,582**	87,591
31 – 60 days	**33,363**	66,244
61 – 180 days	**72,400**	72,321
Over 180 days	**80,919**	55,444
	247,264	281,600

MANAGEMENT DISCUSSION AND ANALYSIS

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 31 December 2022.

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

INDEBTEDNESS

Unsecured Borrowings

As at 31 December 2023, we had unsecured borrowings of approximately RMB867 million in total from China Merchants Bank, Industrial and Commercial Bank of China and China Construction Bank. The borrowings bear interest rates ranging from 1.98% to 3.75% per annum.

Secured Borrowings

During the period ended 31 December 2023, we didn't enter into new secured borrowing agreements. As at 31 December 2023, we had secured borrowings of approximately RMB868 million in total from Industrial and Commercial Bank of China and Bank of Shanghai. The borrowings bear interest rates ranging from 3.45% to 3.65% per annum.

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.

As at 31 December 2023, the Group has pledged the following assets as securities for the Group's bank borrowings:

	At 31 December 2023 RMB'000 (Audited)	At 31 December 2022 RMB'000 (Audited)
Property, plant and equipment	**630,372**	672,430
Right-of-use assets	**140,683**	146,166
	771,055	818,596
The maturity profile of bank borrowings is as follows:		
– within one year	**539,391**	391,750
– within a period of more than one year but not exceeding two years	**120,135**	84,836
– within a period of more than two years but not exceeding five years	**700,751**	397,708
– within a period of more than five years	**374,908**	357,038
	1,735,185	1,231,332

All bank borrowings are denominated in RMB as at 31 December 2023 and 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTRACTUAL COMMITMENTS

Capital and Other Commitments

As at 31 December 2023, 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 approximately RMB2,011 million, which increased by 115% from approximately RMB935 million as at 31 December 2022, mainly 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 RMB7,500 million to support the Group's production operations and project construction.

GEARING RATIO

Gearing ratio is calculated using interest-bearing borrowings less bank balances and cash, divided by total equity and multiplied by 100%. As at 31 December 2023, the Group was in a net cash position and thus, gearing ratio is not applicable.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this annual report, the Group does not have other significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures.

CONTIGENT LIABILITIES

As at 31 December 2023, 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 future plans for material investments or capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

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 of time 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.

A total of three drugs (TUOYI®, JUNMAIKANG and MINDEWEI) are being commercialized by the Company, and various drug candidates are in the late stage of R&D 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 a turnaround in the profitability of the Company as soon as possible.

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 preclinical research, global clinical trials and preparation for NDAs of drug candidates and other drug development. Besides, the Company's NDA and registration works, postlaunch marketing and promotion activities and other aspects will incur 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

The Company's core products toripalimab injection, Deuremidevir Hydrobromide Tablets and adalimumab injection have been included in 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 their respective functional currency. The exchange rate risks that the Company is exposed to mainly relate to items denominated in HKD, USD 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 in 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Xiong Jun 熊俊, 50

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 Junao and Suzhou Junshi Biotechnology. He is also the general manager of Suzhou TopAlliance, Suzhou Junao and Hainan JunTop, and an executive director of Jiangsu Union Biopharm, JunTop Biosciences, Hainan JunTop, Vinnerna Biosciences, Shanghai Junkang Litai Biomedical Technology Co., Ltd.* (上海君康立泰生物醫藥科技有限公司) 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 2023, 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, 62

Vice Chairman, Member of Strategic Committee & Remuneration and Appraisal Committee

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

Dr. Li has been the chairman of the board of directors of TopAlliance since January 2024. 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 September 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 2023, 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.

Zou Jianjun 鄒建軍, 52

Chief Executive Officer, General Manager

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* (上海長征醫院) 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Li CONG 李聰, 59
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 2023, Mr. Li is deemed to be interested in 127,020 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, 56
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, the legal representative and executive director of Junshi Biotechnology since August 2023, the legal representative, executive director and general manager of Suzhou Junmeng since August 2023, the legal representative of Shanghai Runmin Changjian Biomedical Technology Co., Ltd.* (上海潤民長健生物醫藥技術有限公司) since December 2023, a director of Beijing Tianshi Pharmaceutical Technology Co., Ltd.* (北京天實醫藥科技有限公司) from April 2016 to November 2023, 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 2023, 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, 48
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 2023, 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

Wang Gang 王剛, 66
Deputy General Manager

Appointed to the Board: October 2023
Joined the Group: August 2019

Dr. Wang obtained a Ph.D degree in Pharmacology and Toxicology from the School of Medicine of Dartmouth College in the United States in September 1995. He has been serving as the deputy general manager and chief quality officer of the Company since 29 August 2019. He has been serving as an independent director of Obio Technology (Shanghai) Corp., Ltd.* (和元生物技術(上海)股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 688238.SH)) since January 2021, an independent director of Hrain Biotechnology Co., Ltd.* (上海恒潤達生生物科技股份有限公司) since June 2021, and an independent director of Hangzhou Sciwind Biosciences Co., Ltd.* (杭州先為達生物科技股份有限公司) since August 2023. Prior to joining the Company, he served as a postdoctoral researcher at the National Institutes of Health from October 1995 to June 1998. From June 1998 to July 1999, he served as a research scientist at Osiris Therapeutics in the United States. From August 1999 to August 2003, he served as a biologist at the National Institutes of Health. From August 2003 to June 2005, he served as an assistant professor at the University of Texas. From June 2005 to April 2017, he served in various positions, including the senior policy advisor, assistant director of the China office, senior reviewer and presiding officer, at the United States Food And Drug Administration. From April 2017 to April 2018, he served as the chief scientist in charge of compliance and inspection at the Drug Evaluation Center of the China Food and Drug Administration (CFDA). From May 2018 to August 2019, he served as the vice president for quality (Shanghai) at WuXi Biologics Co., Ltd.* (無錫藥明生物技術股份有限公司).

As at 31 December 2023, Dr. Wang is deemed to be interested in 172,000 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

Li Xin 李鑫, 45

Appointed to the Board: October 2023
Joined the Group: October 2023

Dr. Li obtained a Ph.D degree in Enterprise Development and Strategic Management from Fudan University in 2005 and obtained an Executive Master of Business Administration (EMBA) degree from the Tsinghua University PBC School of Finance. She has been serving as an executive Director and the Senior Vice President of Government Affairs of the Company since February 2024, and served as a non-executive Director of the Company from October 2023 to February 2024. From September 2014 to December 2020, she served as the vice president of Greenland Financial Holdings Group Co., Ltd.*. She has been serving as the vice president of Greenland Jinchuang Technology Group Co., Ltd.* (綠地金創科技集團有限公司) since January 2021; a director of Greenland Digital Technology Co., Ltd.* (綠地數字科技有限公司) since August 2022; and an executive director of Shanghai Jiacai Investment Management Co., Ltd.* since April 2015.

As at 31 December 2023, Dr. Li is interested in 12,060 A Shares and 82,854 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.

Non-Executive Directors

Feng Hui 馮輝, 47

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). He has been serving as the chairman of the board of directors of Shanghai Anlingke Biopharmaceutical Co., Ltd.* (上海安領科生物醫藥有限公司) since June 2023.

Dr. Feng has been serving as a non-executive Director of the Company since August 2023. He served as an executive Director of the Company from March 2015 to August 2023, the chief operations officer of TopAlliance from January 2014 to August 2023, the legal representative and executive director of Junshi Biotechnology from June 2016 to August 2023, the legal representative, executive director and general manager of Suzhou Junmeng from August 2017 to August 2023, and a director and manager of Beijing Tianshi Pharmaceutical Technology Co., Ltd.* (北京天實醫藥科技有限公司) from April 2016 to November 2023. 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 2023, 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

Tang Yi 湯毅, 55
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 2023, 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

Roy Steven Herbst, 61

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, 55

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, 66

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. He has been serving as the independent director of Zhejiang Goldensea Hi-Tech Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 603311.SH)) since June 2023.

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, 67

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 and legal representative of Shanghai Society of Biomedical Engineering since September 2023.

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

Meng Anming 孟安明, 60

Appointed to the Board: June 2023
Joined the Group: June 2023

Dr. Meng received a bachelor's degree in agronomy from Southwest Agricultural University* (西南農業大學) in July 1983, and a doctorate degree in genetics from the University of Nottingham in November 1990. He was elected as an academician of the Chinese Academy of Sciences in 2007 and an academician of The World Academy of Sciences for the advancement of science in developing countries in 2008. From December 1990 to December 1992, he worked as a postdoctoral researcher at the School of Biology, China Agricultural University. From December 1992 to August 1998, he served as an associate professor at the School of Biology, China Agricultural University, during which from March 1996 to August 1998, he was a visiting scholar at the Institute of Molecular Medicine and Genetics, Medical College of Georgia in the United States. Since August 1998, he has been a professor at the School of Life Sciences, Tsinghua University.

SUPERVISORS

Wu Yu 鄔煜, 38
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, 42

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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Huo Yilian 霍依蓮, 33

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.

SENIOR MANAGEMENT

Xu Baohong 許寶紅, 45

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

Chen Yingge 陳英格, 32

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. Zou Jianjun (Chief Executive Officer and general manager), Mr. Li Cong (Co-Chief Executive Officer), Mr. Zhang Zhuobing (deputy general manager), Dr. Yao Sheng (deputy general manager), and Dr. Wang Gang (deputy general manager). Please see "－Executive Directors" above for biographical details of Dr. Zou Jianjun, Mr. Li Cong, Mr. Zhang Zhuobing, Dr. Yao Sheng and Dr. Wang Gang.

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 Keun 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 C1 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 C3 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 fifteen Directors, consisting of eight 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 (Vice Chairman)
Dr. Zou Jianjun (Chief Executive Officer and General Manager)
Mr. Li Cong (Co-Chief Executive Officer)
Mr. Zhang Zhuobing
Dr. Yao Sheng
Dr. Wang Gang (appointed with effect from 20 October 2023)
Dr. Li Xin (appointed as a non-executive Director with effect from 20 October 2023 and re-designated from a non-executive Director to an executive Director with effect from 28 February 2024)

Non-executive Directors

Dr. Feng Hui (re-designated from an executive Director to a non-executive Director with effect from 31 August 2023)
Mr. Tang Yi
Dr. Wu Hai (resigned with effect from 30 August 2023)

Independent Non-executive Directors

Dr. Roy Steven Herbst
Mr. Qian Zhi
Mr. Zhang Chun
Dr. Feng Xiaoyuan
Dr. Meng Anming (appointed with effect from 30 June 2023)
Dr. Chen Lieping (resigned with effect from 30 June 2023)

The biographical information of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" on pages 48 to 58 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, Vice Chairman, Chief Executive Officer and Co-Chief Executive Officer

The position of Chairman and Vice Chairman are held by Mr. Xiong Jun and Dr. Li Ning. The positions of Chief Executive Officer and Co-Chief Executive Officer are held by Dr. Zou Jianjun and Mr. Li Cong, respectively. The Chairman and Vice Chairman provide leadership and are 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.

Each of the newly appointed Directors has obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him/her as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

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 2023 are summarized as follows:

Directors	Type of Training *Note*
Executive Directors	
Mr. Xiong Jun	A/B
Dr. Li Ning	A/B
Dr. Zou Jianjun	A/B
Mr. Li Cong	A/B
Mr. Zhang Zhuobing	A/B
Dr. Yao Sheng	A/B
Dr. Wang Gang (appointed with 20 October 2023)	A/B
Dr. Li Xin (appointed as a non-executive Director with effect from 20 October 2023 and re-designated from a non-executive Director to an executive Director with effect from 28 February 2024)	A/B
Non-executive Directors	
Dr. Feng Hui (re-designated from an executive Director to a non-executive Director with effect from 31 August 2023)	A/B
Mr. Tang Yi	A/B
Dr. Wu Hai (resigned with effect from 30 August 2023)	A/B
Independent Non-executive Directors	
Dr. Roy Steven Herbst	A/B
Mr. Qian Zhi	A/B
Mr. Zhang Chun	A/B
Dr. Feng Xiaoyuan	A/B
Dr. Meng Anming (appointed with effect from 30 June 2023)	A/B
Dr. Chen Lieping (resigned with effect from 30 June 2023)	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 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 three 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, 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. Li Xin and Dr. Wang Gang 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 has appointed two female Directors during the year ended 31 December 2023. 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	50	More than 9 years (27 March 2015)
Dr. Li Ning	Male	62	More than 5 years (24 June 2018)
Dr. Zou Jianjun	Female	52	Not more than 2 year (29 June 2022)
Mr. Li Cong	Male	59	More than 7 years (22 December 2016)
Mr. Zhang Zhuobing	Male	56	More than 7 years (22 December 2016)
Dr. Yao Sheng	Male	48	More than 7 years (22 December 2016)
Dr. Wang Gang (appointed with 20 October 2023)	Male	66	Not more than 1 year (20 October 2023)
Dr. Li Xin (appointed as a non-executive Director with effect from 20 October 2023 and re-designated from a non-executive Director to an executive Director with effect from 28 February 2024)	Female	45	Not more than 1 year (20 October 2023)
Non-executive Directors			
Dr. Feng Hui (re-designated from an executive Director to a non-executive Director with effect from 31 August 2023)	Male	47	More than 9 years (27 March 2025)
Mr. Tang Yi	Male	55	More than 8 years (30 May 2015)
Dr. Wu Hai (resigned with effect from 30 August 2023)	Male	50	More than 7 years (22 December 2016)
Independent Non-executive Directors			
Dr. Roy Steven Herbst	Male	61	More than 5 years (24 June 2018)
Mr. Qian Zhi	Male	55	More than 5 years (24 June 2018)
Mr. Zhang Chun	Male	66	More than 3 years (19 June 2020)
Dr. Feng Xiaoyuan	Male	67	More than 2 year (16 December 2021)
Dr. Meng Anming (appointed with effect from 30 June 2023)	Male	60	Not more than 1 year (30 June 2023)
Dr. Chen Lieping (resigned with effect from 30 June 2023)	Male	66	More than 5 years (24 June 2018)

As at 31 December 2023, the Company had 1,205 male employees (46.92%) and 1,363 female employees (53.08%). 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. Meng Anming, 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 (Chairman and Legal Representative)	8/8	–	3/3	2/2	1/1	2/2
Dr. Li Ning (Vice Chairman)	8/8	–	3/3	–	1/1	2/2
Dr. Zou Jianjun (Chief Executive Officer and General Manager)	8/8	–	–	–	–	2/2
Mr. Li Cong (Co-Chief Executive Officer)	8/8	–	–	–	–	2/2
Mr. Zhang Zhuobing	8/8	–	–	–	–	2/2
Dr. Yao Sheng	8/8	–	–	–	–	2/2
Dr. Wang Gang (appointed with effect from 20 October 2023)	2/2	–	–	–	–	–
Dr. Li Xin (appointed as a non-executive Director with effect from 20 October 2023 and re-designated from a non-executive Director to an executive Director with effect from 28 February 2024)	2/2	–	–	–	–	–
Dr. Feng Hui (re-designated from an executive Director to a non-executive Director with effect from 31 August 2023)	8/8	–	–	–	–	2/2
Mr. Tang Yi	8/8	4/4	–	–	–	2/2
Dr. Wu Hai (resigned with effect from 30 August 2023)	4/4	–	–	–	–	2/2
Dr. Roy Steven Herbst	8/8	–	–	–	1/1	2/2
Mr. Qian Zhi	8/8	4/4	3/3	2/2	–	2/2
Mr. Zhang Chun	8/8	4/4	3/3	–	1/1	2/2
Dr. Feng Xiaoyuan	8/8	–	3/3	2/2	–	2/2
Dr. Meng Anming (appointed with effect from 30 June 2023)	5/5	–	–	–	–	1/1
Dr. Chen Lieping (resigned with effect from 30 June 2023)	3/3	–	–	–	1/1	1/1

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 155 to 156.

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 RMB3,510,000 and RMB1,668,000 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	3,510,000
– Annual Report	3,510,000
Non-audit Services	1,668,000
– Interim Report	1,050,000
– Consulting Service	618,000
	5,178,000

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, the Company amended the Articles of Association at 30 March 2023.

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 2023 to 31 December 2023 ("**2023**").

- 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**"), 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., Wuxi Runmin Pharmaceutical Technology Co., Ltd., Wuxi Runyuan Biomedical Venture Capital Partnership (Limited Partnership), Shanghai Ruijiashi Biomedical Technology Co., Ltd., Shanghai Junkang Litai Biomedical Technology Co., Ltd., Shanghai Runmin Changjian Biomedical Technology Co., Ltd., and TA Biosciences Pte. 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 C2 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. The Company was 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.

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 2023, the Company realized a total operating income of RMB1,503 million.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

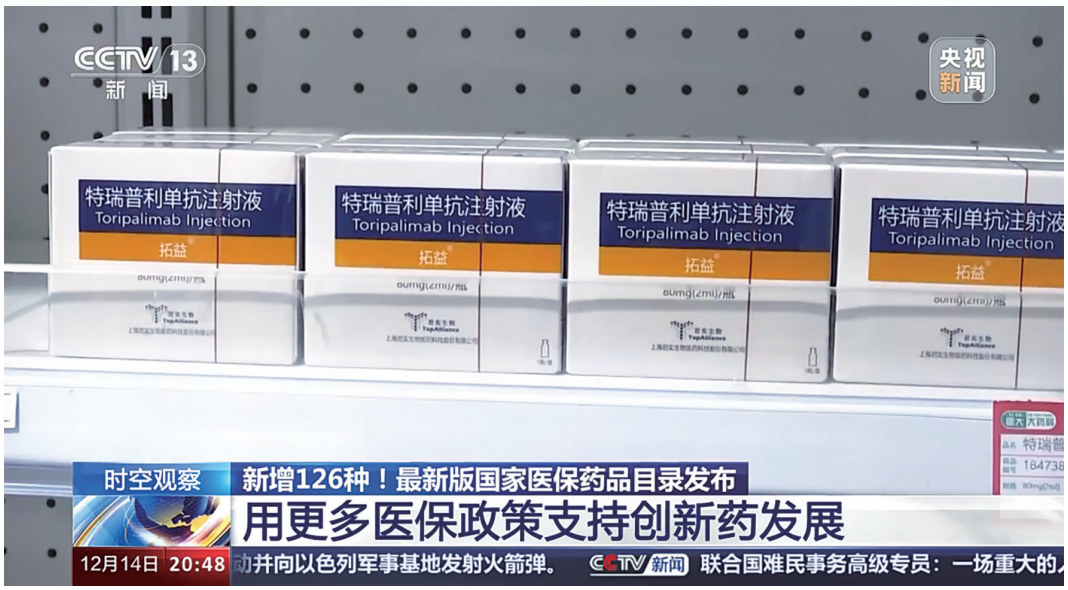
Operating Performance in 2023

TUOYI® (Toripalimab Injection) has been approved by the National Medical Products Administration (NMPA) for 7 indications, and 6 indications have been included in the National Reimbursement Drug List (NRDL), which is the only anti-PD-1 monoclonal antibody drug for the treatment of malignant melanoma in the NRDL. It was approved for marketing in the United States, becoming the first FDA-approved innovative biological drug independently developed and produced in China, and the only drug approved for the treatment of nasopharyngeal cancer in the United States, and was selected as the first class recommended drug in the nasopharyngeal cancer guidelines of National Comprehensive Cancer Network (NCCN).

MINDEWEI® (Deuremidevir Hydrobromide Tablets) has received conditional approval from the NMPA for the treatment of adult patients with mild to moderate COVID-19, and has been included in the NDRL.

In 2023, the Company achieved operating income of RMB1,503 million, an increase of 3.38% YoY, mainly due to the increase in drug sales revenue. During the reporting period, the Company further narrowed its losses by strengthening the control of various expenses, optimizing the allocation of resources, and focusing on R&D pipelines with more potential.

The Company has three drugs in the pipeline (TUOYI®, JUNMAIKANG ® and MINDEWEI®), nearly 30 assets in clinical trials, and more than 20 drug candidates in pre-clinical development stage.



6 indications of TUOYI® included in the NRDL

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Major rewards in 2023:

  - In **February 2023**, the Company was honoredas "Zhangjiang National Independent Innovation Demonstration Zone 'Zhangjiang Star' Leading Enterprise" by the Management Committee of Shanghai Zhangjiang High-tech Zone; and rated as "Leading Power • China Pharmaceutical High-quality Development Enterprise (2022)" by Medical Economic News.

  - In **April 2023**, the Company was rated as "High-quality Development of Greater Health Industry – Excellent Case of Informatization" by Economic Information Daily and Xinhua Health; previously, and awarded by the Chinese Academy of Medical Sciences as "Important Medical Progress in China in 2022 – Clinical Medicine Field – Treatment of Advanced Esophageal Squamous Cell Carcinoma with Triplelizumab Combined with Paclitaxel + Cisplatin Can Significantly Prolong Survival (JUPITER-06)".

  - In **June 2023**, the Company was awarded the "Excellent Biomedical Project Award (MINDEWEI®, Deuremidevir Hydrobromide Tablets, VV116/JT001)" in the 9th China (Shanghai) International Technology Fair; granted the "Excellent Partner 2022" by Peking University Cancer Hospital; and rated as "Top 30 Innovative Chinese Antibody Drug Enterprises in 2022" and "Top 20 Chinese Biopharmaceutical Enterprises in 2022" by Menet and the Expert Committee of Top 100 Chinese Biopharmaceutical Enterprises.

  - In **October 2023**, the Company was rated as "2023 Advanced Unit for Trade Secret Protection" by the Market Supervision Authority of Lingang New Area of China (Shanghai) Pilot Free Trade Zone; and was granted the "Highest Level A in the 2022-2023 Information Disclosure Evaluation Results of Listed Companies on the Shanghai Stock Exchange" by the Shanghai Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- In **November 2023**, the Company was rated as "2023 Top 100 Pharmaceutical Innovation Enterprises in China" and "2023 Top 10 R&D Innovative Pharmaceutical Listed Companies in China" by Healthcare Executive; rated as "2023 Pharmaceutical New Innovation Force in China" by China Pharmaceutical Industry Information Center; and awarded the "2022 Golden Bull Science and Technology Innovation Award" and the "1st Guoxin Cup • ESG Golden Bull Award Technology Leading Top 50" by China Securities Journal.

- In **December 2023**, the Company was awarded the "2023 Excellent Medical Service Innovation Enterprise" by the Economic Observer; rated as the "2023 Annual Influential Business Development Enterprise of the 4th China Biopharmaceutical Industry Chain Innovation Billboard" by the CBIITA; and honored as "2023 Sina Finance Golden Kirin Most Socially Responsible Pharmaceutical Company" by Sina Finance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. 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 of Shanghai Junshi Biosciences Co., Ltd. ("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 production management center and the backbone of the quality management 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.

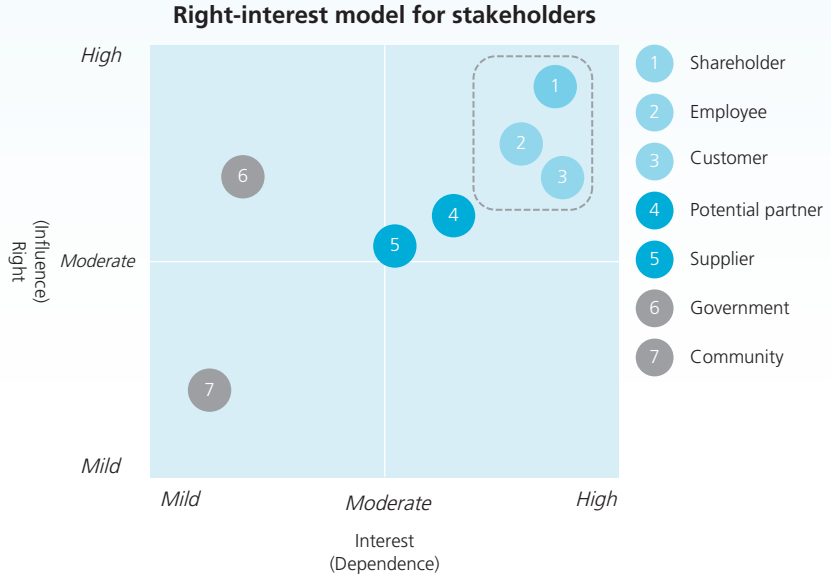
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. 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 C2 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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	Communication and response modes
Shareholder	Corporate governance	Timely information disclosure
	Technology R&D	Expansion of product pipeline
	Intellectual property protection	Intellectual property protection
Employee	Employee rights protection	System improvement and implementation
	Occupational health and safety	Periodic physical examination
	Career development	Regular training
Customer	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
The supplier	Responsible procurement	Supplier management improvement
Government	Operation compliance	Information disclosure and anti-corruption
	Production safety management	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	Public welfare practice	Public welfare medication
	Community investment	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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

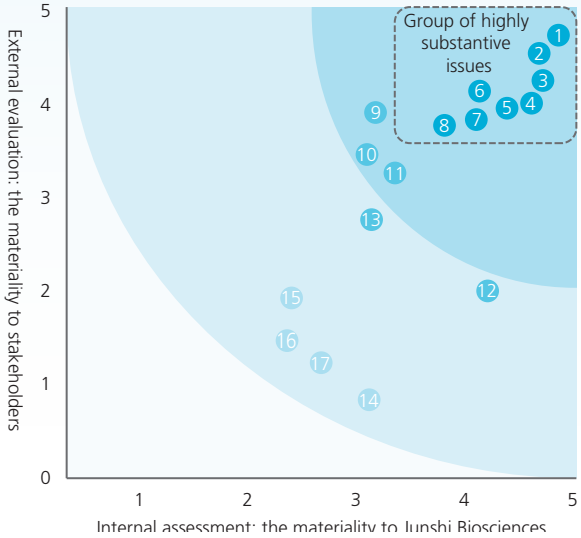
3. Evaluation and Confirmation of Substantive Issues

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

Rate the substantive issues on a scale of 0-5 based on their relevance/materiality to the Company0-unrelated; 1-not really important; 2-slightly important; 3-important; 4-very important; 5-extremely important

highly substantive issues	moderately substantive issues	mildly substantive issues
1. Corporate governance	9. Client service system optimization	14. Green office
2. Operation compliance	10. Career development	15. Extreme weather response
3. Product quality and safety	11. Occupational health and safety	16. Public welfare practice
4. Production safety management	12. Responsible procurement	17. Community investment
5. Intellectual property protection	13. Emission management	
6. Technology R&D		
7. Employee interest protection		
8. Win-win cooperation		



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

IV. 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 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. Anti-fraud and Business Compliance

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 non-compliant behaviors. We have stipulated in the Articles of Association that our Directors, Supervisors and senior management must abide by the principle of good faith and fulfill 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 2023, we added three new systems of the Complaint and Feedback Management System, the Internal Audit Charter and the Eight Prohibitions on Integrity of Junshi, to further clarify the compliance red line requirements in anti-corruption, anti-money laundering and anti-monopoly to regulate employee behavior.

We issue integrity posters to all employees (including contract workers, interns and part-time staff) every quarter to publicize the Company's compliance culture and policies, hold compliance training every year, and improve employees' ability to resist corruption by "promoting changes with cases". Every year, we also invite law firms to conduct targeted anti-corruption compliance training for Directors, Supervisors and the senior management. We also included supplier integrity and integrity management provisions in the Supplier Management Procedures, requiring all our suppliers to sign the Supplier Integrity Commitment. We conduct a business ethics audit at least every three years, covering all operating units to ensure business compliance.

Integrity posters and compliance training

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, Integrity Junshi email, mail, and WeChat. If a report is received, the Company will arrange for the relevant business departments to verify and follow up and deal with it strictly. We undertake to maintain confidential the reports and complaint information to protect reporters and witnesses from retaliation. In 2023, the Company was not involved in corruption or bribery.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

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 and the Securities Times as the media and platforms to publish the Company's announcements and other information requiring disclosure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. Investor Interest Protection

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 information 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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. In 2023, the Company invested R&D expenses of RMB1,937 million for early drug R&D, drug clinical trials and attracting professional R&D talents, 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, 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.

2. R&D Progress and Achievements

- ***Ongoing projects and achievements***

  In 2023, 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 2023, 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.

  ➢ **Publication of TUOYI® TORCHLIGHT Study Results in Nature Medicine**

  In January 2024, Nature Medicine (IF: 82.9), the global authoritative journal, published the results of the Phase III TORCHLIGHT study for the treatment of first-diagnosed Stage IV or relapsed metastatic triple-negative breast cancer (TNBC) with TUOYI® combined with nanoparticle albumin-bound paclitaxel (nab-P). TUOYI® combined with nab-P can significantly improve progression-free survival (PFS) and reduce the risk of disease progression or death by 35%, providing a promising new treatment strategy for patients with PD-L1-positive first-diagnosed Stage IV or relapsed metastatic TNBC, according to the study, which is the first Phase III registration study in China to achieve positive results in the immunotherapy for advanced TNBC. Based on the results of the study, the National Medical Products Administration (NMPA) officially accepted the marketing application for the new indication in May 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT


nature medicine

Article https://doi.org/10.1038/s41591-023-02677-x

Toripalimab plus nab-paclitaxel in metastatic or recurrent triple-negative breast cancer: a randomized phase 3 trial

➢ **Publication of TUOYI® NEOTORCH Study Results in Journal of the American Medical Association**

In January 2024, the phase III NEOTORCH study of toripalimab combined with chemotherapy for the perioperative treatment of resectable non-small cell lung cancer (NSCLC) led by Professor Lu Shun from the Chest Hospital Affiliated to Shanghai Jiao Tong University School of Medicine was published in the Journal of the American Medical Association (JAMA. IF: 120.7), the international top authoritative journal, becoming the world's first perioperative (covering neoadjuvant and adjuvant therapy) immunotherapy study for lung cancer published in the regular issue of JAMA. Compared with chemotherapy alone, toripalimab combined with chemotherapy for perioperative treatment of patients with resectable Stage III NSCLC followed by subsequent consolidation therapy with toripalimab significantly prolonged the primary endpoint event-free survival (EFS) and reduced the risk of disease recurrence, progression, or death by 60% (HR=0.40, 95% CI: 0.28-0.57), while overall survival (OS) in the toripalimab in combination with chemotherapy arm also showed a clear trend of benefit. Based on the results of the study, in December 2023, the NMPA approved the marketing application for the new indication of toripalimab in combination with chemotherapy for perioperative treatment, followed by this drug as an adjuvant therapy, for adult patients with resectable Stage IIIA-IIIB non-small cell lung cancer.


Research

JAMA | Original Investigation

Perioperative Toripalimab Plus Chemotherapy for Patients With Resectable Non-Small Cell Lung Cancer
The Neotorch Randomized Clinical Trial

Shun Lu, MD; Wei Zhang, PhD; Lin Wu, PhD; Wenxiang Wang, PhD; Peng Zhang, PhD; and the Neotorch Investigators

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

➢ **Publication of TUOYI® JUPITER-02 Study Results in Journal of the American Medical Association**

In November 2023, the final results of the Phase III JUPITER-02 study led by Professor Xu Ruihua of the Sun Yat-sen University Cancer Center were published in the Journal of the American Medical Association (JAMA. IF: 120.7), the international top authoritative journal, becoming the world's first clinical study in nasopharyngeal cancer immunotherapy published in the regular issue of JAMA. Compared with chemotherapy alone, toripalimab combined with chemotherapy in first-line treatment of patients with relapsed or metastatic nasopharyngeal carcinoma (RM-NPC) can significantly prolong OS, showing a statistically and clinically significant survival benefit, with a 3-year OS rate of 64.5% and a favorable safety profile, according to the final analysis of the study, which has been unanimously recognized by the international academic and regulatory authorities.


Research

JAMA | Original Investigation

Toripalimab Plus Chemotherapy for Recurrent or Metastatic Nasopharyngeal Carcinoma
The JUPITER-02 Randomized Clinical Trial

Hai-Qiang Mai, MD, PhD; Qiu-Yan Chen, MD, PhD; Dongping Chen, MD; Chaosu Hu, PhD; Kunyu Yang, MD, PhD; Jiyu Wen, BS; Jingao Li, MD, PhD; Yingrui Shi, PhD; Feng Jin, MD; Ruilian Xu, MD; Jianji Pan, PhD; Shenhong Qu, MD; Ping Li, MD, PhD; Chunhong Hu, PhD; Yi-Chun Liu, MD; Yi Jiang, MD; Xia He, MD, PhD; Hung-Ming Wang, MD; Wan-Teck Lim, MBBS; Wangjun Liao, MD, PhD; Xiaohui He, MD; Xiaozhong Chen, MD; Siyang Wang, PhD; Xianglin Yuan, MD; Qi Li, PhD; Xiaoyan Lin, PhD; Shanghua Jing, MD; Yanju Chen, MD; Yin Lu, MD; Ching-Yun Hsieh, MD; Muh-Hwa Yang, MD, PhD; Chia-Jui Yen, MD, PhD; Jens Samol, MD; Xianming Luo, MD; Xiaojun Wang, MS; Xiongwen Tang, PhD; Hui Feng, PhD; Sheng Yao, PhD; Patricia Keegan, MD; Rui-Hua Xu, MD, PhD

➢ **Publication of MINDEWEI® Study Results in The Lancet Infectious Diseases**

In November 2023, The Lancet Infectious Diseases (IF: 56.3; No. 1 in international infectious disease journals) published the results of a randomized, double-blind, Phase III clinical study of MINDEWEI® (Deuremidevir Hydrobromide Tablets, VV116/JT001) versus placebo in the treatment of mild and moderate COVID-19. Compared with placebo, VV116 significantly shortened the time to persistent clinical resolution of up to 2 days in adults (≥ 18 years of age) with mild to moderate COVID-19, regardless of whether the patient had a concomitant risk factor for progression to severe disease or vaccination status against SARS-CoV-2, and the incidence of adverse events (AEs) was comparable to that of placebo, according to the final analysis of the study. The results of this study further demonstrate that VV116 is effective in the treatment of mild and moderate COVID-19 with a favorable safety profile.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT


THE LANCET
Infectious Diseases

ARTICLES | ONLINE FIRST

Oral VV116 versus placebo in patients with mild-to-moderate COVID-19 in China: a multicentre, double-blind, phase 3, randomised controlled study

Xiaohong Fan, MD † • Xiahong Dai, MD † • Yun Ling, MD † • Lihua Wu, MD † • Lingling Tang, MD † • Chunxian Peng, MB • et al. Show all authors • Show footnotes

Published: November 22, 2023 • DOI: https://doi.org/10.1016/S1473-3099(23)00577-7 • Check for updates

➢ **Results of a Number of Studies Published by ESMO**

In October 2023, the European Society for Medical Oncology (ESMO) Congress was held in Madrid, Spain. The ESMO Congress is the most prestigious and influential oncology conference in Europe. In the ESMO Congress, a total of 11 results of study of the Company's immuno-oncology (I-O) innovative product TUOYI® were shortlisted and received global attention, including 1 summary of the latest breakthroughs, 2 preferred oral presentations, and 8 poster presentations, covering 10 fields such as lung cancer, kidney cancer, head and neck cancer, breast cancer, colorectal cancer, cervical cancer, thymic cancer and lymphoma.

➢ **Results of a Number of Studies Including TORCHLIGHT Published by ASCO 2023**

In June 2023, the annual meeting of American Society of Clinical Oncology (ASCO) was held in Chicago, USA. As the world's largest and highest-level cancer treatment education forum, it brings together the most influential, highest-quality and cutting-edge study results in oncology in the world every year. The Company published 26 innovative study results, including 5 oral presentations, ranking among the most shortlisted Chinese pharmaceutical companies in terms of oral presentations, covering 10 major tumor types such as lung cancer, breast cancer, nasopharyngeal cancer, gastrointestinal cancer, urothelial carcinoma and melanoma.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 143 licensed patents, of which 107 were domestic patents and 36 were overseas patents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. 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. We also further standardize the development of the quality management system and improve the relevant practice on quality management in response to the regulations newly issued and implemented in 2023, including Provisions on the Supervision and Administration of the Fulfillment of Medicinal Product Quality and Safety Responsibilities by Holders of Marketing Authorization for Medicinal Products, Announcement of the State Food and Drug Administration on Strengthening the Supervision and Administration of Entrusted Production by Drug Marketing Authorization Holders, Measures for the Supervision and Administration of the Quality of Drug Operation and Use, and so on.

  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 2023, we continued to improve the Quality Manual and deviation handling and other key quality management processes. Meanwhile, we added quality information management to ensure that quality information related to products and quality management systems between the Company and the subsidiaries is collected and shared in a timely manner, and can be used as a guidance for the decisions on production and operation. We also added a new clinical trial recall process to ensure that clinical trial drug recall activities are compliant with regulatory requirements and can be effectively executed.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have established a quality management process for Corrective Actions and Preventive Actions (CAPA), specifying that the CAPA is designed for deviation handling, product quality review, risk assessment, continuous improvement, etc., and clarifying CAPA in the relevant quality management processes. The quality control department is involved in the entire production process, conducting regular preventive tests for all possible quality and safety issues in the products, collecting product samples and conducting sample tests to check their compliance with 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. For products that have been marketed, we conduct an annual review of product quality, evaluate key elements such as relevant quality inspection indicators, complaints, non-conformities, deviations, etc., and take improvement actions to continuously improve product quality.

In order to strictly control quality standards, the Company has established and continuously improved the quality audit mechanism combining internal audit and external audit. During the reporting period, the Company organized 12 internal quality audits and received 12 external quality inspections/audits. The external quality inspections/audits included the PLI on-site audits (toripalimab injection) by FDA, the annual supervision and inspection by the Jiangsu Provincial Food and Drug Administration, and the annual supervision and inspection by the Shanghai Municipal Food and Drug Administration (unannounced inspection), etc. The scope of inspections/audits covered MAH management system, organizational structure, production management, quality management, laboratory management, supplier management, material and warehousing management, equipment management, drug safety and pharmacovigilance. All entities have successfully passed the inspections/audits and are in compliance with the relevant regulatory requirements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- ***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 unified leadership of the Chief Quality Officer and the quality teams at production bases of the subsidiaries (Quality Assurance Department, Quality Control Department and Verification Department), which was incorporated into the subsidiary Suzhou Junmeng as the quality management team for Phase I and Phase II clinical trials. The quality management team adheres to the concept of producing safe, effective and high-quality products for the worry-free use by themselves and their families, and supervises the whole process of the Company's products in R&D, production, inspection, release, sales and transportation to ensure that the product quality is controllable and meets the regulatory requirements.

We carry out quality training and assessment for employees involving production on a regular basis each year 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 understanding and application, and then constantly ensure product quality. In 2023, we conducted a total of 9 trainings on GMP regulations, covering CMC concerns for NDA declaration, product safety information reporting, GCP introduction, drug registration verification and pre-market GMP compliance inspection, and product parameter setting and control for key processes.

Quality regulation training and safety experiment operation training

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- ***Intelligent production base***

  The Company's Suzhou Wujiang production base has passed GMP certification, its Shanghai Lingang production base has passed the GMP compliance inspection, and the latter was built in strict accordance with international current Good Manufacture Practices (cGMP), featuring in the first domestic biopharmaceutical one-time intelligent production, the whole process data interaction and implementation control, achieving more efficient and more accurate production and quality control, and creating a benchmark for the intelligent manufacturing of MAB biopharmaceutical industry. Through the "four transformations" of production intelligence platform, data governance, R&D intelligence platform and quality intelligence platform, we have realized the comprehensive digital transformation of the factory and ensured the product quality. At present, the Shanghai Lingang production base has been rated as "National Intelligent Manufacturing Demonstration Factory", "National Intelligent Manufacturing Excellent Scene", and "Shanghai Benchmark Intelligent Factory".

  ❖ Production intelligence platform: enabling accurate management of material life with standardized operation steps and reduced operator errors. It also integrates real-time data, and generates electronic batch reports for traceability of the production process.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Data governance: identifying the best practices in the production process, i.e., the "golden batch", through multi-batch comparison and multivariate analysis supported by big data mining, to ensure the stability and uniformity of drug production.

- R&D intelligence platform: facilitating modeling analysis and in-depth mining by the R&D department through the structured and visual processing of data.

- Quality intelligence platform: The Quality Management System (QMS) is responsible for the processing and tracking of quality events, and the follow-up treatment of abnormal events in the production process; the Laboratory Information Management System (LIMS) is responsible for the laboratory process control, tracking all inspection and release results; the Document Management System (DMS) has strict version control in place for the drafting, alteration and revision of all process operation SOPs to ensure the update of documents and the use of related record forms; the Training Management System (TMS) records all training results and validity periods related to each job responsibility to ensure that the operators are trained and qualified.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 or local excellent peers, 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. Since the marketing of MINDEWEI® in 2023, we have continued to explore the sales model, and added a new investment model on the basis of covering the original self-operated hospital sales team. Members of the new investment team have rich promotion experience in the field of respiratory infection, which can elevate the accessibility of MINDEWEI® to a new level. We value the management and training of the entire commercialization team. In 2023, we achieved that 100% of the commercialization team members participated in responsible marketing training.

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. In 2023, we continued to promote the development of terminal pharmacies and hospitals. TUOYI® has been sold in more than 5,000 medical institutions and about 2,000 professional and social pharmacies nationwide, and MINDEWEI® has entered more than 2,300 hospitals, including community health service centers, secondary hospitals and tertiary hospitals, covering all provinces in China.

- ***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 behavior 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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. We have established a dedicated drug safety department with dedicated pharmacovigilance staff to continuously monitor, identify, evaluate and control adverse drug reactions and other harmful reactions related to medication to maintain the safety of subjects/patients. The Company's employees, partners or any third-party personnel representing Junshi must report information about product safety through the hotline, the adverse event reporting page at the official website of the Company, or the public email of the drug safety department within 24 hours of being informed of relevant information. The drug safety department shall process and evaluate the received safety information, conduct follow-up for missing or important updated information, and submit individual safety reports that meet reporting requirements to applicable regulatory authorities and domestic and international partners of the relevant products. For death cases or mass adverse events or a cluster of events occurring in Chinese mainland, an investigation mechanism has been established by the Company to complete the investigation report as required and report to the corresponding drug regulatory department and ADR monitoring authority. In 2023, 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 mock recall trainings to ensure the operational effectiveness of the product recall mechanism. In 2023, there was no recall on the Company's products due to safety and health reasons.

Product mock recall process flow chart

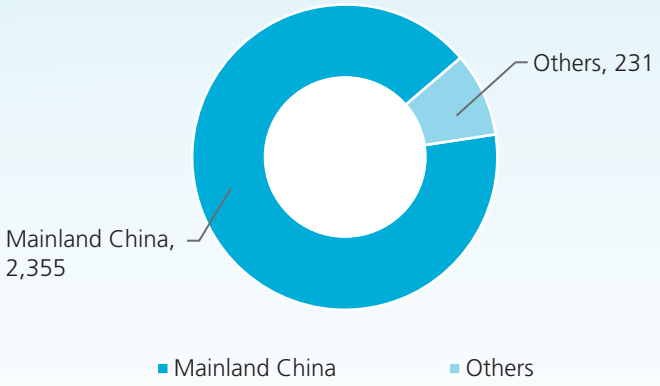
3. Supplier Management

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 have established a procurement center to realize the annual bulk procurement of core bulk materials for commercial product production, and minimize procurement and management costs. In 2023, we reorganized the overall procurement strategy, procurement category planning and procurement approval process, and successfully launched the SRM procurement management system, enabling a more standardized, professional and transparent procurement process.

The Company adheres 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, keep the complete assessment record of such supplier and include them in the qualified supplier database. When selecting suppliers, we 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. We conduct annual performance assessments on our suppliers, and regularly audit key clinical R&D-related suppliers and GMP-related suppliers. We actively cooperate with sub-suppliers who have a significant impact on the quality of our products and conduct regular audits on them through questionnaires. We will eliminate and blacklist suppliers with quality defects, failed environmental impact assessment or integrity issues. As at the end of the Reporting Period, we had 2,586 major suppliers, and 91% of them were from mainland China. We encourage the use of local suppliers first to promote local employment, technology and economic development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Number of suppliers by region



We understand the importance of supplier collaboration and strive to establish long-term coexistence and co-prosperity relationships with our suppliers. In response to the possible uncertainties in the supply chain stemming from changes in the external environment, we contract suppliers closely related to the supply chain as annual suppliers or strategic suppliers, and enter into annual framework agreements for core bulk materials for commercial product production with them to ensure the resilience and continuity of the supply chain. We conduct regular and targeted training activities on legal compliance, quality improvement, SRM system collaboration, etc., for all suppliers every year to help them improve their business level and ensure their alignment with our quality and efficiency requirements.

In 2023, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. 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", and implement an effective environmental protection management system, with Suzhou Wujiang production base being ISO14001 environmental management system certified. We 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. We study the update of relevant national and local regulations from time to time, regularly engage professional environmental protection consulting agencies to conduct EHS audits on all production bases, including environmental regulation compliance and environmental management system effectiveness audits, and promptly rectify various hidden dangers and develop emergency plans, in an effort to build an ecological and environment-friendly high-quality technology enterprise. At the same time, we are concerned about the impact of extreme weather on production to ensure the sustainability of our operations. There was no environment – related non-compliance case in 2023.


CERTIFICATION

环境管理体系认证证书

本证书证明

苏州众合生物医药科技有限公司

统一社会信用代码：91320509079877908

吴江经济技术开发区龙桥路999号

环境管理体系符合

GB/T 24001-2016/ISO 14001:2015

本证书有效认证范围：

位于吴江经济开发区龙桥路 999 号的苏州众合生物医药科技有限公司治疗用生物制品（特瑞普利单抗注射液）的生产和销售及相关环境管理活动

Suzhou Wujiang production base and its ISO14001 environmental management system certification

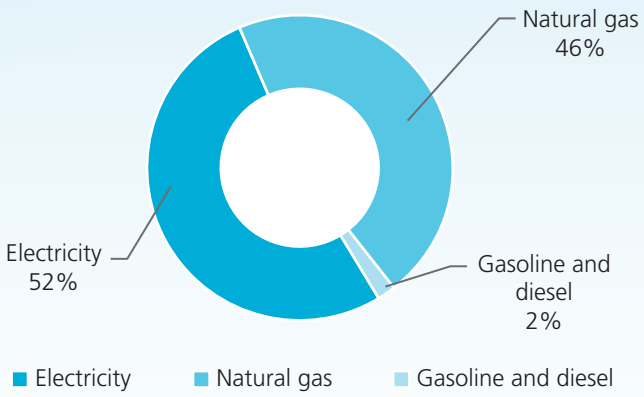
1. Use of Resources

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 Advanced Level, Energy Saving Level and Access Level of Energy Efficiency of Key Energy-Using Products and Equipment, Measures of Shanghai Municipality on Carbon Inclusive Management (Trial) 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 2023, we consumed 74,116.66 MWh of energy in total. Among them, electricity consumption was 38,727.09 MWh, natural gas consumption was 33,941.46 MWh, gasoline consumption was 1,441.47 MWh, and diesel consumption was 6.64 MWh. The total greenhouse gas emission equivalent was 34,574.03 tons, comprising direct emissions (scope 1) of 7,329.52 tons, mainly from the combustion of natural gas, gasoline and diesel, and indirect emissions (scope 2) of 27,244.51 tons, mainly from purchased electricity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy consumption by energy type



In 2023, we consumed 431,568.70 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 2023, we continued to implement the following measures in response to our goals:

- We established a water consumption record system to monitor and record water consumption in the production process;
- We 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;
- We regularly inspected and maintained the water supply system, increased the frequency of inspections, strengthened the investigation and repair of leakage points, post water-saving slogans, etc., so as to reduce more unnecessary water and energy consumption;
- We continued to promote the reclaimed water reuse project, and used reclaimed water for watering and toilet water in the Company;
- We 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;
- We scheduled regular maintenance for production equipment, and regularly and timely replaced the parts that need to be replaced to ensure production efficiency and safety;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

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, Practical Technical Guidelines for Pollution Control in the Pharmaceutical Industry, the Regulations of on Environmental Protection, the Implementation Rules of Shanghai Municipality on Pollutant Discharge Permit Management 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 Preventing Pollution, Cross-pollution, and Errors in Production Workshops, Environmental Self-Monitoring Plan and other internal emissions management systems. We also engaged a qualified third-party testing agency to monitor the Company's wastewater discharge, exhaust emission and factory site noise level to ensure the compliance of all indicators.

- ***Exhaust emission***

  The main exhaust produced during our production process include buffer waste gas, experimental waste gas, boiler combustion waste gas, etc. In 2023, our emission of main exhaust was 4.15 tons in total. The main pollutants in the exhaust gas included 4.03 tons of nitrogen oxides (NOx) and 0.12 ton 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 2023, there were no excessive emissions involved in the Company. 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- ***Wastewater discharge***

  Wastewater produced in our production process mainly include wastewater from the laboratory, the quality control room and the biological filter. 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.

- ***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 2023, 102.50 tons of hazardous waste and 187.60 tons of non-hazardous waste were produced.

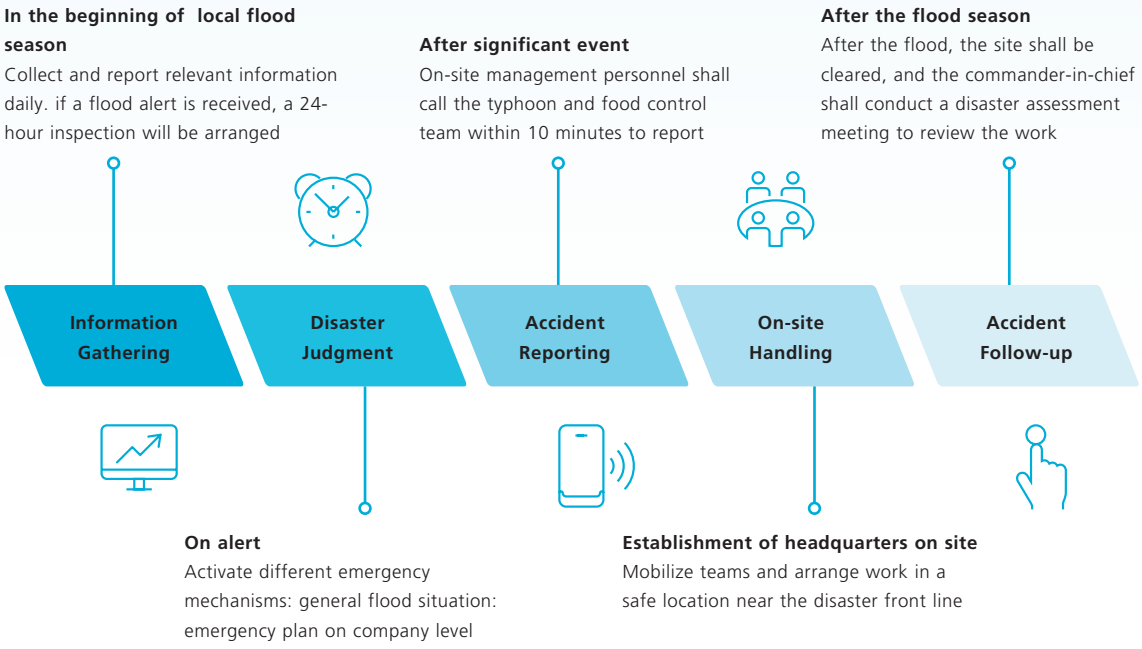
  For non-hazardous wastes, we entrust a qualified third-party disposal company to dispose of them in accordance with the latest national requirements for non-hazardous wastes. For hazardous wastes, we collect them in the production system and quality inspection workshop, and put them into specific sterilizing 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. In addition, we value hazardous waste management in the R&D process. We set up waste containers in the laboratory for wastes to be sterilized, and set up different waste liquid collection buckets for experimental waste liquids with different chemical properties. We also place the waste liquid buckets at a fixed point, post the corresponding hazard labels on them, and arrange special personnel wearing protective equipment to transfer hazardous wastes at a fixed time and to a fixed point. We keep the hazardous waste storage room ventilated and clean and apply classified management for wastes to reduce the risk of secondary contamination during storage and transportation. In 2023, we added an automatic hazardous waste labeling machine to better regulate the control of hazardous wastes.

  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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VIII. 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 2023, based on our existing standardization system, we continued to collate and update a number of policies, processes and template documents by referring to the Civil Code of the People's Republic of China, the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Special Provisions on Labor Protection of Female Employees and other laws and regulations. We updated the relevant contents of the Attendance and Leave Management System, formulated and implemented the Addition, Updating, Signing and Filing of Job Descriptions, Regulations on the Management of the Company's Organizational Structure, Procedures for the Preparation and Implementation of New Employee Training, and other documents, 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 2023. We adhere to the principle of "equal gender". The number of employees in 2023 within the scope of this report is 2,568, 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, Tibetan, Korean, Mongolian, Hui, etc. 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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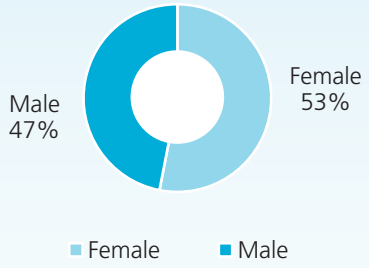
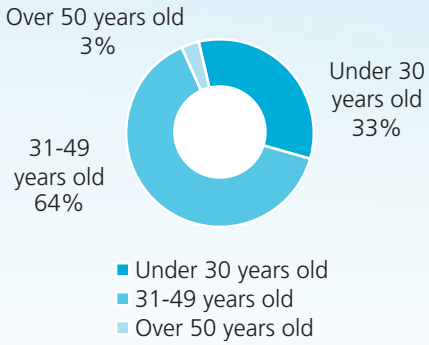
Gender distribution of employees



Age distribution of employees



We attach great importance to the opinions of employees, and collect employee opinions and complaints through various channels such as the Company's intranet, employee suggestion box, and annual satisfaction questionnaires. The Company will keep the information collected strictly confidential, and formulate targeted optimization measures based on such information to drive the healthy development of the organization. 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, actively conduct resignation interviews, analyze their main reasons for resignation, and take timely actions to retain talents for the Company.

- ***Employee development***

  The company upholds the enterprise spirit that "Honorable people are not ostentatious; people of moral integrity are realistic" and value the attraction and development of various outstanding talents. We have formulated the Measures for the Administration of Employee Performance and implemented a unified performance management system that combines competitiveness, motivation and fairness. We have formulated the Career Advancement Policy Process and Timetable to protect the rights and interests of employees in career development by building a job position hierarchy system, and provide a clear and reasonable career path and platform for employees.

  We care for the career development of employees, collect training needs from various business departments, constantly adjust and improve the training content in a timely manner, form a training system, and create a learning culture organization. We integrate high-quality learning resources from internal and external sources to build training courses for employees that are suitable for different types of needs. We also encourage all employees to participate in industry training and professional certification, and for employees who have obtained professional title certificates, we provide them with support on application for relevant government subsidies or bonuses.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee training system:

New employees

Orientation training, covering Company overview and rules and regulations, office software and process system, as well as quality culture and industrialization ability, to facilitate a better and faster integration into the Company of the new employees at the beginning of their entry.

Grassroots employees

Basic knowledge and general ability training, covering the basic medical regulations, communication efficiency improvement, speech skills and preparation, as well as basic office skills and other workplace general competency, to enable every employee to constantly improve themselves and their work efficiency.

Management

Leadership training in management, such as communication, performance improvement coaching and team execution enhancement, to enrich their thinking and ability and consolidate their management ability.

Employees participate in general competency training

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We also value the reserve of future talents. In 2023, as an off-campus practical education base, we received the 2022 Professional Master's Degree students of China Pharmaceutical University to start the project internship. The Company has cooperated with China Medical University, Jiangnan University and other universities to continue to provide talent reserve output through cooperative projects.

Students of China Pharmaceutical University participate in project internship

- ***Health and safety***

We strictly abide by the Work Safety Law of the PRC, the Law 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 and other laws and regulations, and on this basis, we have formulated the Safe Production Responsibility Management System, the Safety Inspection and Potential Accident Rectification System, the Emergency Plan for Safety Accidents, the Occupational Health Management System and other 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.

In 2023, we continued to use our current annual health check-up benefit system. We arrange medical examinations for all employees every year and medical examination of occupational diseases for laboratory personnel, in order to detect abnormalities such as occupational contraindications for occupational diseases as early as possible. We purchased medical and accident insurance for employees to relieve their worries. In addition, we engaged a third-party professional organization to carry out occupational disease risk factor testing, and arranged regular occupational disease physical examination for employees in positions involving occupational pollution according to the testing results. In the future, we plan to engage a professional organization to conduct a health and safety audit of all production workshops and laboratories every three years to identify safety hazards and supervise us to timely detect and correct any unsafe factors or behaviors.

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At the same time, in order to prevent safety accidents, we 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.

Fire emergency drills

- ***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 also grant welfare leave to employees on important holidays to facilitate their travel. In accordance with local regulations on labor protection for female employees, we have set up a maternity protection clause, providing maternity leave, prenatal check-up leave, breast-feeding leave, parental leave and other leave for all female employees. At the same time, we have set up a number of Baby Care Rooms within the Company to provide basic feminine products for the convenience of baby care by female employees.

We distribute holiday monetary gifts or custom gifts to all employees on multiple festivals throughout the year, including New Year's Day, Spring Festival, Women's Day, Labour Day, 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.

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In 2023, we organized various forms of employee activities, including employee birthday party, outdoor team building activities, employee sports meeting, traditional festival activities, shoulder and neck massage therapy, etc., to enrich the cultural lives of employees during their spare time. In addition, in order to stimulate the internal motivation of employees, we purchased the FanDeng Reading Enterprise Reading Edition for employees, and regularly organized Book Club Sharing and other activities.

Mooncake DIY during the Mid-Autumn Festival

Employee Birthday Party

Employee Sports Meeting

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Harmonious Community

We 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 2023, We participated in community public welfare activities, took the initiative to assume social responsibilities, and applied our endless domestic innovations in benefiting patients in China and around the world.

1. Assistance in organizing the public welfare medical consultation event of "Caring for Your Lung" in the National Anti-Cancer Week

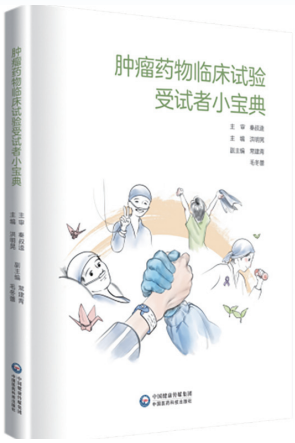
April 15 to 21 every year is the National Anti-Cancer Week. During the week, the public welfare medical consultation event of "Caring for Your Lung" initiated by the Expert Committee of Patient Education of Chinese Society of Clinical Oncology, co-organized by the Department of Oncology of Dongdong Health, and supported by Junshi Biosciences was successfully held. Bringing together 12 authoritative experts in the field of lung cancer in China to provide patients with professional medical consultation and health guidance through the online platform, the event aimed at helping patients suffering lung cancer understand the disease more accurately, enhance their confidence and ability to fight against cancer, and also popularize the importance of lung cancer prevention and early detection.

2. Donation to Shanghai Yangtze River Delta Pharmaceutical Innovation and Development Research Center to help optimize the pharmaceutical innovation ecology

In June 2023, we donated to the Shanghai Yangtze River Delta Pharmaceutical Innovation and Development Research Center to support its establishment and operation. Guided by the principle of promoting policy innovation, technological innovation and talent training, and with the priorities of industry research, project research and special seminars, the Research Center aims to drive the innovation ecological development of the pharmaceutical industry, and propel the medical technological progress and industrial sustainability in the Yangtze River Delta region.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. Donation to Beijing Century Charity Foundation to help with R&D progress of new anti-tumor drugs



In 2023, we supported the "Clinical Research Promotion Public Welfare Fund" project by donating to Beijing Century Charity Foundation. The funding will be used specifically to compile and publish the Handbook for Subjects of Clinical Trials of Oncology Drugs, which aims to provide detailed guidance and information for subjects participating in clinical trials of oncology drugs. The Handbook will cover the basic knowledge of clinical trials, protection of subjects' rights and interests, participation procedures, and possible risks and benefits to improve public awareness and understanding of clinical trials and contribute to the R&D progress of new anti-tumor drugs.

4. Donation to university foundations to help with China's higher education talent training and innovative research

In 2023, we donated to the Education Development Foundation of Shanghai Fudan University and the Education Development Foundation of School of Medicine, Shanghai Jiao Tong University. The donated funds will be used to support outstanding students, promote academic research, drive technological innovation, and improve capacities in medical education and practice. We believe that these efforts can lead to more high-quality talents with international vision and innovation ability in China, therefore contributing to the national scientific and technological progress and social development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX

(I) ESG REPORTING GUIDE KPIS

		2023	2022	2021	2020	2019
A1.1 The types of emissions and respective emissions data[1]						
Total NO_X emissions	Ton	**4.03**	4.61	4.06	4.96	3.82
Total SO_x emissions	Ton	**0.12**	0.12	0.04	0.004	0.002
Total exhaust emissions	Ton	**4.15**	4.73	4.10	4.96	3.82
Intensity of the exhaust emissions	Ton/Million turnover	**0.003**	0.003	0.001	0.003	0.005
A1.2 Greenhouse gas emissions in total						
Direct emissions (Scope 1)[2]	Ton	**7,329.52**	8,844.82	8,069.64	5,783.59	3,812.70
Indirect emissions (Scope 2)[3]	Ton	**27,244.51**	29,344.16	27,465.40	23,861.66	13,007.78
Total GHG emissions	Ton	**34,574.03**	38,188.98	35,535.04	29,645.25	16,820.48
Intensity of the GHG emissions (Scope 1 and Scope 2)	Ton/Million turnover	**23.00**	26.28	8.83	18.59	21.70
A1.3 Total hazardous waste produced						
Total hazardous waste emissions	Ton	**102.50**	159.92	140.50	137.27	63.65
Intensity of hazardous waste emissions	Ton/Million turnover	**0.07**	0.11	0.03	0.09	0.08
A1.4 Total non-hazardous waste produced						
Total general waste emissions[4]	Ton	**187.60**	209.80	274.80	183.00	615.00
Intensity of general waste emissions	Ton/Million turnover	**0.12**	0.14	0.07	0.11	0.79

1 The exhaust 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 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.

3 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.

4 Non-hazardous waste comprises of construction waste and domestic waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

		2023	2022	2021	2020	2019
A2.1 Total energy consumption by type[5]						
Electricity	kWh in '000s	**38,727.09**	41,711.67	40,820.20	33,918.49	18,490.09
Natural gas	kWh in '000s	**33,941.46**	41,807.95	37,289.90	27,660.00	18,227.66
Gasoline	kWh in '000s	**1,441.47**	1,160.12	1,744.45		
Diesel	kWh in '000s	**6.64**	5.57			
Total energy consumption	kWh in '000s	**74,116.66**	84,685.31	79,854.55	61,578.49	36,717.75
Intensity of the energy consumption	kWh in '000s/Million turnover	**49.31**	58.28	19.84	38.61	47.37
A2.2 Total water consumption						
Total consumption of water resource	Cubic meters	**431,568.70**	475,333.60	411,962.40	303,598.00	194,273.00
Intensity of water consumption	Cubic meters/Million turnover	**287.14**	327.14	102.35	190.36	250.65
A2.5 Packaging material used						
Inner package material (coated rubber stoppers, penicillin bottles, etc.)	Ton	**10.30**	9.18	9.36	17.04	10.95
External package material (product packaging, bottom support, etc.)	Ton	**23.40**	17.29	16.81	14.39	9.81
Total consumption of packaging material	Ton	**33.70**	26.47	26.17	31.44	20.76
Intensity of the consumption of packaging	Ton/Million turnover	**0.02**	0.02	0.01	0.02	0.03

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

		2023	2022	2021	2020	2019
B1.1 Total workforce by gender, employment type, age group and geographical region						
Total number of employees		**2,568**	2,961	2,805	2,453	1,421
Gender	Male	**1,205**	1,382	1,343	1,230	738
	Female	**1,363**	1,579	1,462	1,223	683
Employment type	Full time	**2,565**	2961	2,805	2,453	1,357
	Part-time	**3**	0	0	0	29
	Contractor's employee	**0**	0	0	0	35
Age group	Age: ≤ 30	**843**	1,175	1,337	1,144	596
	Age: 31~49	**1,655**	1,706	1,407	1,249	759
	Age: ≥ 50	**70**	80	61	60	66
Geographical region	Domestic	**2,537**	2,929	2,777	2,437	1,410
	Overseas	**31**	32	28	16	11
B1.2 Employee turnover rate by gender, age group and geographical region						
Gender	Male	**27.58%**	27.22%	26.85%	24.39%	16.71%
	Female	**25.27%**	21.99%	20.33%	19.41%	18.14%
Age group	Age: ≤ 30	**29.40%**	27.91%	19.41%	19.66%	15.80%
	Age: 31~49	**24.98%**	22.14%	27.44%	24.60%	19.61%
	Age: ≥ 50	**20.45%**	21.57%	16.44%	11.11%	8.20%
Geographical region	Domestic	**26.53%**	24.70%	23.73%	22.04%	N/A
	Overseas	**11.43%**	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	None
Rate of work-related fatalities		**N/A**	N/A	N/A	N/A	N/A
B2.2 Lost days due to work injury						
Lost days due to work injury		**262**	None	250	136	None

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

		2023	2022	2021	2020	2019
B3.1 The percentage of employees trained by gender and employee category						
Gender	Male	**100.00%**	100.00%	80.49%	70.57%	73.58%
	Female	**100.00%**	100.00%	72.09%	70.07%	68.52%
Employee category	Senior management	**100.00%**	100.00%	53.07%	53.21%	38.00%
	Middle management	**100.00%**	100.00%	70.40%	74.51%	50.18%
	General staff	**100.00%**	100.00%	79.83%	70.73%	79.89%
B3.2 The average training hours completed per employee by gender and employee category						
Gender	Male	**92.42**	104.07	36.82	27.72	72.69
	Female	**77.57**	80.46	30.15	26.86	68.75
Employee category	Senior management	**20.45**	17.74	14.00	15.28	35.70
	Middle management	**34.26**	25.92	12.31	18.26	49.62
	General staff	**108.58**	117.82	41.25	30.59	80.21

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(II) ESG REPORTING GUIDE CONTENT INDEX

Aspects	Guide No.	Chapter
A Environment	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.	VII. 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.	VII. 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.	VII. Concerted Efforts in Environmental Protection 2. Emission Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Guide No.	Chapter
	A2 Use of Resources Policies on efficient use of resources including energy, water and other raw materials.	VII. 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.	VII. 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.	VII. 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.	VII. 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.	VII. 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.	VII. 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.	VII. Concerted Efforts in Environmental Protection 3. Extreme weather response
B Society	B1 Employment Information on: (a) the policies; 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, antidiscrimination, and other benefits and welfare.	VIII. Warmth and Caring for the Society 1. Employee Caring
	B1.1 Total workforce by gender, employment type (for example, fulltime 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 policies; 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.	VIII. 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.	VIII. Warmth and Caring for the Society 1. Employee Caring
	B3 Training and Development Policies on improving employee's knowledge and skills for discharging duties at work. Description of training activities.	VIII. 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)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Guide No.	Chapter
	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.	VIII. Warmth and Caring for the Society 1. Employee Caring
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	VIII. Warmth and Caring for the Society 1. Employee Caring
	B4.2 Description of steps taken to eliminate such practices when discovered.	VIII. Warmth and Caring for the Society 1. Employee Caring
	B5 Supply Chain Management Policies on managing environmental and social risks of the supply chain.	VI. In Pursuit of Quality-first Policy 3. Supplier Management
	B5.1 Number of suppliers by geographical region.	VI. 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.	VI. 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.	VI. In Pursuit of Quality-first Policy 3. Supplier Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Guide No.	Chapter
	B5.4 Description of practices used to promote environmental preferable products and services when selecting suppliers, and how they are implemented and monitored.	VI. In Pursuit of Quality-first Policy 3. Supplier Management
	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.	VI. 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.	VI. 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.	VI. In Pursuit of Quality-first Policy 2. Customer Service
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	V. Innovation & R&D 3. Intellectual Property
	B6.4 Description of quality assurance process and recall procedures.	VI. 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.	VI. 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.	IV. 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.	IV. 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.	IV. Operation Compliance for Sustainable Growth 1. Anti-fraud and Compliance Operation
	B7.3 Description of anti-corruption training provided to directors and staff.	IV. 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.	VIII. 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).	VIII. Warmth and Caring for the Society 2. Harmonious Community
	B8.2 Resources contributed (e.g. money or time) to the focus areas.	VIII. 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 38 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

BUSINESS REVIEW AND RESULTS

A review of the business of the Group during the Reporting Period is provided in "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the Reporting Period using key financial performance indicators is provided in the Financial Review on pages 32 to 45 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 157 to 158 in the Independent Auditor's report.

FINAL DIVIDENDS

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

FUTURE AND OUTLOOK

With strong R&D capabilities, we are at the forefront of medical innovation. In 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 other R&D fields such as small molecules 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 the 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.

REPORT OF THE DIRECTORS

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

– In January 2024, the NDA for toripalimab in combination with cisplatin and gemcitabine, for the first-line treatment of adults with metastatic or recurrent locally advanced NPC, and for toripalimab, as a single agent, for the treatment of adults with recurrent, unresectable, or metastatic NPC with disease progression on or after platinum-containing chemotherapy has been accepted by the HSA, which was granted a priority review designation.

– On 12 January 2024, Dr. Li Ning had been elected as the vice chairman of the third session of the Board, and has been appointed as the chairman of the board of directors of TopAlliance, being a wholly-owned subsidiary of the Company. He ceased to be the general manager and chief executive officer of the Company. Dr. Zou Jianjun has been appointed as the general manager and chief executive officer of the Company.

– On 28 February 2024, Dr. Li Xin had been re-designated from a non-executive Director to an executive Director.

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.

REPORT OF THE DIRECTORS

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.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period,

(i) the Group's purchases with the five largest suppliers (non-capital in nature) accounted for less than 30% of its total non-capitalized purchases (2022: less than 30%); and

(ii) the Group's largest customer accounted for 29.70% (2022: 21.66%) of its total pharmaceutical sales and licensing income and the Group's five largest customers accounted for 68.62% (2022: 72.91%) 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.

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 2023 are set out in note 38 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 32 to the consolidated financial statements.

As of 31 December 2023, 985,689,871 Shares were in issue (comprising 219,295,700 A Shares and 766,394,171 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 2023, 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 2023 are set out in note 25 to the consolidated financial statements.

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).

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

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

REPORT OF THE DIRECTORS

(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.

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.

There were no Restricted Shares available for grant under the 2020 Restricted A Share Incentive Scheme on 1 January 2023 and 31 December 2023. During the Reporting Period, no Restricted Shares were granted under the 2020 Restricted A Share Incentive Scheme. As of 31 December 2023, a total of 2,818,231 Restricted Shares were attributed on 2 February 2023 under the second tranche of the First Grant and the first tranche of the Reserved Grant.

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:

						Movement of Restricted Shares during the Reporting Period				
Name or category of grantee	Date of grant[1]	Attribution Period[2]	Grant Price (RMB)[3]	Number of Restricted Shares granted	Number of Restricted Shares that have not been attributed as at 1 January 2023	Granted	Attributed[4]	Lapsed	Cancelled	Number of Restricted Shares that have not been attributed as at 31 December 2023
Xiong Jun (Executive Director, Chairman of the Board and Legal Representative)	16 November 2020	16 November 2021 – 15 November 2024	55.50	820,000	492,000	–	–	–	–	492,000
Li Ning (Executive Director, Vice Chairman)	16 November 2020	16 November 2021 – 15 November 2024	55.50	1,560,000	936,000	–	30,000	–	–	906,000
Feng Hui (Non-executive Director)	16 November 2020	16 November 2021 – 15 November 2024	55.50	820,000	492,000	–	20,000	–	–	472,000
Yao Sheng (Executive Director, Deputy General Manager, core technical staff)	16 November 2020	16 November 2021 – 15 November 2024	55.50	2,000,000	1,200,000	–	–	–	–	1,200,000
Zhang Zhuobing (Executive Director, Deputy General Manager, core technical staff)	16 November 2020	16 November 2021 – 15 November 2024	55.50	820,000	492,000	–	20,000	–	–	472,000
Wang Gang (Executive Director, Deputy General Manager)	16 November 2020	16 November 2021 – 15 November 2024	55.50	270,000	162,000	–	–	–	–	162,000

REPORT OF THE DIRECTORS

					Movement of Restricted Shares during the Reporting Period				
Name or category of grantee	Date of grant[1]	Attribution Period[2]	Grant Price (RMB)[3]	Number of Restricted Shares granted	Number of Restricted Shares that have not been attributed as at 1 January 2023	Granted	Attributed[4]	Lapsed	Cancelled	Number of Restricted Shares that have not been attributed as at 31 December 2023
Xu Baohong (Financial Director)	16 November 2020	16 November 2021 – 15 November 2024	55.50	80,000	48,000	–	5,000	–	–	43,000
Chen Yingge (Secretary of the Board of Directors)	16 November 2020	16 November 2021 – 15 November 2024	55.50	80,000	48,000	–	–	–	–	48,000
Wang Shixu (Financial manager of Junshi Biotechnology)[5]	16 November 2020	16 November 2021 – 15 November 2024	55.50	30,000	18,000	–	–	–	–	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	22,039,000	8,402,280	–	2,013,696	–	–	6,388,584
Total				28,519,000	12,290,280		2,088,696	–		10,201,584

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).

(4) The weighted average closing price of the A Shares immediately before the date on which the Restricted Shares were attributed was RMB62.58.

(5) Ms. Wang Shixu is an associate (as defined in the Hong Kong Listing Rules) of Dr. Wu Hai, a non-executive Director during the Reporting Period who has resigned on 30 August 2023.

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

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

Other than 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.

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 *(Vice Chairman)*
Dr. Zou Jianjun *(Chief Executive Officer and General Manager)*
Mr. Li Cong *(Co-Chief Executive Officer)*
Mr. Zhang Zhuobing
Dr. Yao Sheng
Dr. Wang Gang (appointed with effect from 20 October 2023)
Dr. Li Xin (appointed as a non-executive Director with effect from 20 October 2023 and re-designated from a non-executive Director to an executive Director with effect from 28 February 2024)

Non-executive Directors
Dr. Feng Hui (re-designated from an executive Director to a non-executive Director with effect from 31 August 2023)
Mr. Tang Yi
Dr. Wu Hai (resigned with effect from 30 August 2023)

Independent Non-executive Directors
Dr. Roy Steven Herbst
Mr. Qian Zhi
Mr. Zhang Chun
Dr. Feng Xiaoyuan
Dr. Meng Anming (appointed with effect from 30 June 2023)
Dr. Chen Lieping (resigned with effect from 30 June 2023)

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.

REPORT OF THE DIRECTORS

Changes of Information of the Directors and Supervisors

During the Reporting Period and up to the date of this annual report, 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 2022 Annual Report which are required to be disclosed by the Directors pursuant to Rule 13.51B(1) of the Listing Rules are set out as below:

Updated Biographical Details of Directors

Name of Director	Details of Change	Effective Date
Mr. Xiong Jun	Resigned from the position as an executive director and the legal representative of Shanghai Vinnerna Biosciences Co., Ltd.* (a non-wholly owned subsidiary of the Company)	6 June 2023
	Resigned from the position as an executive director and the legal representative of Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd.* (a wholly-owned subsidiary of the Company, deregistered in July 2023)	5 July 2023
	Serving as an executive director and the legal representative of Shanghai Junkang Litai Biomedical Technology Co., Ltd.* (a wholly-owned subsidiary of the Company)	9 October 2023
Dr. Li Ning	Serving as the chairman of the board of directors of TopAlliance Biosciences Inc. (a wholly-owned subsidiary of the Company)	12 January 2024
Mr. Zhang Zhuobing	Serving as an executive director and the legal representative of Shanghai Junshi Biotechnology Co., Ltd.* (a wholly-owned subsidiary of the Company)	31 August 2023
	Serving as an executive director and the general manager, legal representative of Suzhou Junmeng Biopharm Co., Ltd.* (a wholly-owned subsidiary of the Company)	31 August 2023
	Resigned from the position as a director of Beijing Tianshi Pharmaceutical Technology Co., Ltd.*	14 November 2023
	Serving as an executive director and the legal representative of Shanghai Runmin Changjian Biomedical Technology Co., Ltd.* (a non-wholly owned subsidiary of the Company)	15 December 2023
Dr. Feng Hui	Serving as the chairman of the board of directors and the legal representative of Shanghai Anlingke Biopharmaceutical Co., Ltd.*	27 June 2023
	Resigned from the position as an executive director and the legal representative of Shanghai Junshi Biotechnology Co., Ltd.* (a wholly-owned subsidiary of the Company)	31 August 2023
	Resigned from the position as an executive director and the general manager, legal representative of Suzhou Junmeng Biopharm Co., Ltd.* (a wholly-owned subsidiary of the Company)	31 August 2023
	Resigned from the position as the chief operations officer of TopAlliance Biosciences Inc. (a wholly-owned subsidiary of the Company)	31 August 2023
	Resigned from the position as a director and the manager of Beijing Tianshi Pharmaceutical Technology Co., Ltd.*	14 November 2023
Dr. Wang Gang	Serving as an independent director of Hangzhou Sciwind Biosciences Co., Ltd.*	8 September 2023
Mr. Zhang Chun	Serving as the independent director of Zhejiang Goldensea Hi-Tech Co., Ltd.* (a company listed on the Shanghai Stock Exchange on 18 May 2015)	14 August 2023

REPORT OF THE DIRECTORS

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

Dr. Feng, being a non-executive Director, had an interest in a transaction to which the Company was a party thereof. For details of the transaction, please see the section "Connected Transaction" on page 149 of this annual report. Other than the aforesaid, 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, save as disclosed in this annual report, 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.

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.

REPORT OF THE DIRECTORS

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 2023, 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 the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Interests in the Company

Name of Director/ Supervisor/ Chief Executive	Nature of interests	Class of Shares	Number of Shares/ Underlying Shares[1]	Approximate percentage in relevant class of Shares[1]	Approximate percentage in total share capital[1]
Xiong Jun	Beneficial owner[2]	A Shares	88,346,018 (L)	11.53%	8.96%
		H Shares	2,600 (L)	0.00%	0.00%
	Parties acting in concert/ Interest in controlled corporations[2]	A Shares	129,978,568 (L)	16.96%	13.19%
Li Ning	Beneficial owner[3]	A Shares	956,000 (L)	0.12%	0.10%
Li Cong	Beneficial owner[4]	A Shares	127,020 (L)	0.02%	0.01%
Feng Hui	Beneficial owner[5]	A Shares	13,652,000 (L)	1.78%	1.39%
Zhang Zhuobing	Beneficial owner[6]	A Shares	512,000 (L)	0.07%	0.05%
	Interest of spouse[6]	A Shares	8,608,000 (L)	1.12%	0.87%
Yao Sheng	Beneficial owner[7]	A Shares	1,200,000 (L)	0.16%	0.12%

REPORT OF THE DIRECTORS

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]
Tang Yi	Beneficial owner[8]	A Shares	7,774,500 (L)	1.01%	0.79%
	Interest in controlled corporations[8]	A Shares	196,643,786 (L)	25.66%	19.95%
		H Shares	2,600 (L)	0.00%	0.00%
Wang Gang	Beneficial owner[9]	A Shares	172.000 (L)	0.02%	0.02%
Li Xin	Beneficial owner[10]	A Shares	12,060 (L)	0.00%	0.00%
	Beneficial owner[10]	H Shares	41,200 (L)	0.019%	0.004%
	Interest in controlled corporations[10]	H Shares	41,654 (L)	0.019%	0.004%

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 2023, the Company had 985,689,871 issued Shares, comprising 766,394,171 A Shares and 219,295,700 H Shares.

2. As at 31 December 2023, 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 2021 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 2023 under the SFO.

   As at 31 December 2023, 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.

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3. As at 31 December 2023, Dr. Li Ning directly held 50,000 A Shares. He was also interested in 906,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

4. As at 31 December 2023, Dr. Li Cong directly held 127,020 A Shares.

5. As at 31 December 2023, Dr. Feng Hui directly held 13,180,000 A Shares. He was also interested in 472,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

6. As at 31 December 2023, Mr. Zhang Zhuobing's spouse, Ms. Liu Xiaoling, directly held 8,608,000 A Shares. As at 31 December 2023, Mr. Zhang directly held 40,000 A Shares. He was also interested in 472,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

7. As at 31 December 2023, Dr. Yao Sheng was interested in 1,200,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

8. As at 31 December 2023, 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.

9. As at 31 December 2023, Dr. Wang was deemed to be interested in 172,000 A Shares. 10,000 A Shares out of the 172,000 A Shares are directly held by Dr. Wang. He was granted 270,000 restricted A Shares on 16 November 2020 under the 2020 Restricted A Share Incentive Scheme adopted by the Company on 29 September 2020. Out of the 270,000 restricted A Shares, 108,000 restricted A Shares have been nullified on 16 November 2022. Hence, Dr. Wang remains to be interested in 162,000 restricted A Shares.

10. As at 31 December 2023, Dr. Li Xin directly held 12,060 A Shares and 41,200 H Shares. He also indirectly held 41,654 H Shares through an investment fund.

Save as disclosed above, as at 31 December 2023, none of the Directors, Supervisors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code.

Interests in Associated Corporations

Save as disclosed above, as at 31 December 2023, 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

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

As at 31 December 2023, 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)	5.36%	4.17%
熊鳳祥[3][4]	Parties acting in Concert	A Shares	155,583,786 (L)	20.30%	15.78%
Suzhou Ruiyuan Shengben Biological Medicine Management Partnership (LP)*	Beneficial owner	A Shares	43,584,000 (L)	5.69%	4.42%
	Parties acting in Concert	A Shares	153,059,786 (L)	19.97%	15.53%
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)	25.06%	19.48%
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)	25.09%	19.51%
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)	25.10%	19.51%
Gao Shufang	Beneficial owner	A Shares	3,789,720 (L)	0.49%	0.38%
高淑芳[4]	Parties acting in Concert	A Shares	192,854,066 (L)	25.16%	19.57%
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)	25.17%	19.57%
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)	25.28%	19.66%
Zhou Yuqing	Beneficial owner	A Shares	21,680,800 (L)	2.83%	2.20%
周玉清[5]	Parties acting in Concert	A Shares	88,346,018 (L)	11.53%	8.96%
Lin Lijun[6]	Interest in controlled corporations	A Shares	78,852,000 (L)	10.29%	8.00%
林利軍	Founder of a discretionary trust who can influence how the trustee exercises his discretion	H Shares	19,770,307 (L)	9.01%	2.01%

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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]
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)	9.99%	7.77%
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)	9.99%	7.77%
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)	10.29%	8.00%
Loyal Valley Capital Advantage Fund II LP[7][8]	Beneficial owner	H Shares	11,344,613 (L)	5.17%	1.15%
Loyal Valley Capital Advantage Fund II Limited[7]	Interest of controlled corporation	H Shares	11,344,613 (L)	5.17%	1.15%
LVC Holdings Limited[7]	Interest of controlled corporation	H Shares	11,344,613 (L)	5.17%	1.15%
LVC Management Holdings Limited[7]	Interest of controlled corporation	H Shares	11,344,613 (L)	5.17%	1.15%
LVC Innovate Limited (previously known as LVC Bytes Limited)	Interest of controlled corporation	H Shares	19,770,307 (L)	9.01%	2.01%
Jovial Champion Investments Limited[7]	Interest of controlled corporation	H Shares	19,770,307 (L)	9.01%	2.01%
Vistra Trust (Singapore) Pte. Limited[7]	Interest of controlled corporation	H Shares	19,770,307 (L)	9.01%	2.01%
Highbury Investment Pte Ltd[8]	Beneficial owner	H Shares	4,654,089 (L)	2.12%	0.47%
	Interest of controlled corporation	H Shares	11,344,613 (L)	5.17%	1.15%
GIC (Ventures) Pte. Ltd.[8]	Interest of controlled corporation	H Shares	16,781,089 (L)	7.65%	1.70%
GIC Special Investments Private Limited[8]	Investment manager	H Shares	16,781,089 (L)	7.65%	1.70%
GIC Private Limited[8]	Interest of controlled corporation	H Shares	16,781,089 (L)	7.65%	1.70%

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]
Hillhouse Capital Advisors, Ltd.[9]	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	46,092,000 (L)	21.02%	4.68%
綠地控股集團股份有限公司	Interest of controlled corporation	H Shares	50,440,600 (L)	23.00%	5.12%
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 2023, the Company had 985,689,871 issued Shares, comprising 766,394,171 A Shares and 219,295,700 H Shares.

3. As at 31 December 2023, 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 87,854,018 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 2023, 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. Shanghai Loyal Valley 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 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.

7. As at 31 December 2023, Loyal Valley Capital Advantage Fund II LP ("**LVC Fund II**") and LVC Renaissance Fund LP ("**LVC Renaissance Fund**", directly held 11,344,613 H Shares and 8,426,000 H Shares, respectively. 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.

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

REPORT OF THE DIRECTORS

Each of LVC Fund II GP and LVC Renaissance GP was directly or indirectly controlled 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 H Shares held by LVC Fund II and LVC Renaissance Fund under the SFO. Vistra Trust (Singapore) Pte. Limited was controlled by Mr. Lin Lijun.

Also, Mr. Lin Lijun was deemed to be interested in an aggregate of 19,770,307 H Shares held by LVC Fund II and LVC Renaissance Fund under the SFO.

8. As at 31 December 2023, Highbury Investment Pte Ltd. ("**Highbury**") directly held 11,344,613 H Shares. Highbury also held 45.16% interest in LVC Fund II and was deemed to be interested in the 11,344,613 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.

9. As at 31 December 2023, 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 2 February 2023, the Company issued 2,818,231 new restricted A Shares pursuant to the attribution results of the second attribution tranche of the first grant and the first attribution tranche of the reserved grant under the 2020 Restricted Share Incentive Scheme (further details of the 2020 Restricted Share Incentive Scheme are set out in the Company's overseas regulatory announcement dated 29 September 2020, and further details of the attribution results of the second attribution tranche of the first grant and the first attribution tranche of the reserved grant under the 2020 Restricted Share Incentive Scheme are set out in the Company's overseas regulatory announcement dated 3 February 2023).

During the Reporting Period, the Company repurchased a total of 679,027 A Shares, representing 0.0689% of the total issued shares of the Company, on the Shanghai Stock Exchange, all of which have not been cancelled:

Date of repurchase	No. of A shares repurchased	Price per share		Aggregate amount paid
		Highest RMB	Lowest RMB	RMB
27 September 2023	388,445	38.99	37.91	15,025,203.47
18 October 2023	171,266	40.49	40.14	6,903,343.98
22 December 2023	119,316	41.69	41.34	4,954,689.90

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.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION

On 8 September 2023, the Company entered into the Joint Venture Agreement with Junshi Biotechnology, Suzhou Junmeng, Dr. Feng and the JV Company, pursuant to which the Company conditionally agreed to inject RMB30,597,800 by way of contribution of the Contributed Assets into the JV Company, of which RMB140,000 will be contributed to the registered capital of the JV Company, which accounts for approximately 9.45% of the enlarged equity interest in the JV Company, and the balance amounting to RMB30,457,800 will be accounted as capital reserve of the JV Company.

Dr. Feng, being a non-executive Director, is the general partner of Shanghai Lingke Yixin and Shanghai Anling Xixu. As such, each of Dr. Feng, Shanghai Lingke Yixin and Shanghai Anling Xixu is a connected person of the Company, and the entering into of the Joint Venture Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

The Company plans to use the JV Company as a financing platform to introduce external funds so as to provide financial support for the research and development of drugs, promote the smooth development of such drugs, and achieve commercialization as soon as possible to benefit patients. The above transaction enables the Company to enjoy the benefits brought by the subsequent research and development, marketing and commercialization of such drugs, while also effectively alleviating the pressure of future research and development investment and improve the efficiency of capital use, such that focus can be placed on promoting the research and development of the Company's core projects.

Details of the above connected transaction are set out in the Company's announcement dated 13 September 2023 and overseas regulatory announcement dated 10 September 2023.

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 37 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.

DONATIONS

During the Reporting Period, the Group made donations of approximately RMB36 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 2023. 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, three 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 61 to 77 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 78 to 130 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.

FINANCIAL SUMMARY

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

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Audit Committee consists of two Independent Non-executive Directors, being Mr. Zhang Chun (Chairman) and Mr. Qian Zhi, and one Non-executive Director, being Mr. 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 2023.

AUDITOR

The financial statements for the year ended 31 December 2023 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

28 March 2024

* *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 Shanghai Junshi Biosciences Co., Ltd.* 上海君實生物醫藥科技股份有限公司 (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 157 to 269, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information and other explanatory information.

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 2023, 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 RMB1,937,470,000 as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023. In addition, R&D expenses of RMB408,516,000 were accrued as at 31 December 2023 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 and payable 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 and progress achieved; and • For the service fees paid and payable 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 Li Jiali.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Year ended 31 December	
		2023	2022
	NOTES	**RMB'000**	RMB'000
Revenue	*5*	**1,502,550**	1,453,493
Cost of sales and services		**(667,290)**	(526,282)
Gross profit		**835,260**	927,211
Other income	*6*	**150,784**	95,890
Other gains and losses	*7*	**11,523**	92,245
Impairment losses under expected credit loss model, net of reversal		**(23,484)**	(47)
Research and development expenses		**(1,937,470)**	(2,384,373)
Selling and distribution expenses		**(844,356)**	(715,704)
Administrative expenses		**(556,808)**	(578,269)
Share of losses of joint ventures		**(5,031)**	(1,550)
Share of losses of associates		**(55,453)**	(69,482)
Other expenses		**(35,846)**	(11,753)
Finance costs	*8*	**(29,006)**	(29,370)
Loss before tax	*9*	**(2,489,887)**	(2,675,202)
Income tax (expense) credit	*10*	**(43,995)**	93,107
Loss for the year		**(2,533,882)**	(2,582,095)
Other comprehensive expense for the year			
Item that will not be reclassified to profit or loss			
Fair value loss on equity instruments at fair value through other comprehensive income ("FVTOCI")		**(83,871)**	(116,118)
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**10,213**	47,499
Other comprehensive expense for the year		**(73,658)**	(68,619)
Total comprehensive expense for the year		**(2,607,540)**	(2,650,714)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Year ended 31 December	
		2023	2022
	NOTE	**RMB'000**	RMB'000
Loss for the year attributable to:			
Owners of the Company		**(2,281,624)**	(2,386,067)
Non-controlling interests		**(252,258)**	(196,028)
		(2,533,882)	(2,582,095)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(2,355,282)**	(2,454,686)
Non-controlling interests		**(252,258)**	(196,028)
		(2,607,540)	(2,650,714)
Loss per share	*11*		
Basic (RMB yuan)		**(2.32)**	(2.60)
Diluted (RMB yuan)		**(2.32)**	(2.60)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 December 2023

	NOTES	At 31 December 2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	14	**3,789,409**	2,979,327
Right-of-use assets	15	**463,915**	299,129
Intangible assets	16	**134,417**	98,913
Interests in joint ventures	17	**74,656**	109,506
Interests in associates	18	**167,920**	383,133
Deferred tax assets	31	**103,396**	228,427
Other assets, prepayments and other receivables	21	**188,388**	362,749
Other financial assets	22	**890,536**	910,197
		5,812,637	5,371,381
Current assets			
Inventories	19	**538,053**	599,021
Trade receivables	20	**479,723**	232,725
Other assets, prepayments and other receivables	21	**744,388**	345,137
Restricted bank deposits	23	**9,521**	31,086
Bank balances and cash	23	**3,778,142**	5,996,936
		5,549,827	7,204,905
Current liabilities			
Trade and other payables	24	**1,706,015**	1,338,400
Income tax payable		**18,017**	–
Borrowings	25	**539,391**	391,750
Deferred income	26	**2,400**	440
Contract liabilities	27	**146,298**	–
Provisions and other liabilities	28	**27,104**	–
Lease liabilities	29	**35,931**	43,664
		2,475,156	1,774,254
Net current assets		**3,074,671**	5,430,651
Total assets less current liabilities		**8,887,308**	10,802,032

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 December 2023

		At 31 December	
		2023	2022
	NOTES	**RMB'000**	RMB'000
Non-current liabilities			
Borrowings	*25*	**1,195,794**	839,582
Deferred income	*26*	**181,064**	121,615
Other financial liabilities	*30*	**152,791**	–
Lease liabilities	*29*	**17,451**	46,585
		1,547,100	1,007,782
Net assets		**7,340,208**	9,794,250
Capital and reserves			
Share capital	*32*	**985,690**	982,872
Treasury share	*33*	**(26,891)**	–
Reserves		**6,212,023**	8,518,544
Equity attributable to owners of the Company		**7,170,822**	9,501,416
Non-controlling interests		**169,386**	292,834
Total equity		**7,340,208**	9,794,250

The consolidated financial statements on pages 157 to 269 were approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

Xiong Jun
Director

Zou Jianjun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company											
	Share capital RMB'000	Treasury share 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 2022	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)
Other comprehensive (expense) income for the year	–	–	–	–	–	–	(116,118)	47,499	–	(68,619)	–	(68,619)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(116,118)	47,499	(2,386,067)	(2,454,686)	(196,028)	(2,650,714)
A shares issued *(Note 32)*	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 shareholders *(Note b)*	–	–	–	–	–	(132,283)	–	–	–	(132,283)	(53,967)	(186,250)
Acquisition of a subsidiary *(Note 42)*	–	–	–	–	–	–	–	–	–	–	49,000	49,000
Recognition of equity settled share-based payment expenses – RSU *(Note 35)*	–	–	–	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
Loss for the year	–	–	–	–	–	–	–	–	(2,281,624)	(2,281,624)	(252,258)	(2,533,882)
Other comprehensive (expense) income for the year	–	–	–	–	–	–	(83,871)	10,213	–	(73,658)	–	(73,658)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(83,871)	10,213	(2,281,624)	(2,355,282)	(252,258)	(2,607,540)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company											
	Share capital RMB'000	Treasury share 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
Acquisition of shares from non-controlling shareholder *(Note c)*	-	-	-	-	-	(128,483)	-	-	-	(128,483)	128,483	-
Repurchase of A Shares *(Note 33)*	-	(26,891)	-	-	-	-	-	-	-	(26,891)	-	(26,891)
Recognition of equity settled share-based payment expenses – RSU *(Note 35)*	-	-	-	23,650	-	-	-	-	-	23,650	327	23,977
Exercise of RSUs	2,818	-	190,532	(36,938)	-	-	-	-	-	156,412	-	156,412
Forfeit of RSUs	-	-	74,330	(74,330)	-	-	-	-	-	-	-	-
At 31 December 2023	985,690	(26,891)	14,796,560	86,110	-	512,203	(180,535)	38,467	(9,040,782)	7,170,822	169,386	7,340,208

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 shareholders 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%.

(c) In March 2023, the Company acquired shares of the subsidiary, Shanghai Vinnerna Biosciences Co., Ltd.* 上海旺實生物醫藥科技有限公司 ("Vinnerna Biosciences") at consideration of nil from non-controlling shareholder. Upon the completion of transaction, the effective interest in Vinnerna Biosciences held by the Company was increased from 35.925% to 71.85%.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(2,489,887)**	(2,675,202)
Adjustments for:		
Depreciation of property, plant and equipment	**239,939**	232,615
Depreciation of right-of-use assets	**48,508**	51,117
Amortisation of intangible assets	**14,773**	9,922
Write-down of inventories	**93,417**	21,974
Share-based payment expenses	**22,984**	91,911
Bank interest income	**(99,426)**	(61,018)
Finance costs	**29,006**	29,370
Government grants related to property, plant and equipment	**(2,802)**	(1,451)
Loss from change in fair value of other financial assets measured at fair value through profit or loss ("FVTPL")	**144,942**	9,032
Gain on deemed disposal of an associate	**–**	(28,847)
Gain on disposal of associates	**(130,240)**	–
Loss on disposal of property, plant and equipment	**2,296**	1,838
Other gain	**(30,598)**	(16,100)
Gain on termination of leases	**(584)**	(8,109)
Net exchange losses (gains)	**2,661**	(83,506)
Other income	**–**	(7)
Impairment loss, net of reversal – trade and other receivables	**23,484**	47
Impairment loss of other assets and prepayments	**32,897**	–
Share of losses of joint ventures	**5,031**	1,550
Share of losses of associates	**55,453**	69,482
Operating cash flows before movements in working capital	**(2,038,146)**	(2,355,382)
Increase in inventories	**(5,062)**	(136,394)
(Increase) decrease in trade receivables	**(265,342)**	971,476
(Increase) decrease in other assets, prepayments and other receivables	**(110,537)**	330,624
Increase (decrease) in trade and other payables	**75,158**	(479,565)
Increase in contract liabilities	**146,298**	–
Increase in deferred income	**51,510**	1,047
Increase in provisions and other liabilities	**27,104**	–
Cash used in operations	**(2,114,017)**	(1,668,194)
Income tax paid	**(7,178)**	(107,131)
Income tax received	**106,231**	–
NET CASH USED IN OPERATING ACTIVITIES	**(2,014,964)**	(1,775,325)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Interest received	**101,616**	58,299
Payments for acquisition of property, plant and equipment	**(578,009)**	(383,101)
Proceeds on disposal of property, plant and equipment	**4,097**	1
Payments for acquisition of intangible assets	**(50,277)**	(10,851)
Payments for right-of-use assets	**(204,289)**	–
Payments for rental deposits	**(532)**	(2,826)
Release of rental deposits	**1,807**	2,808
Placement of restricted bank deposit	**(26,570)**	(29,512)
Release of restricted bank deposit	**52,984**	459
Net cash inflow on acquisition of a subsidiary *(Note 42)*	**–**	2,220
Investments in joint ventures	**(50,000)**	(95,000)
Proceeds on disposal of joint ventures	**40,652**	–
Investment in an associate	**(10,000)**	(1,000)
Acquisition of other financial assets	**(1,399,008)**	(8,484)
Proceeds on disposal of other financial assets	**1,210,454**	245
Repayment from a partner of a joint operation	**1,953**	3,170
Advance to a partner of a joint operation	**–**	(4,047)
Receipt of government grants related to property, plant and equipment	**12,700**	–
NET CASH USED IN INVESTING ACTIVITIES	**(892,422)**	(467,619)
FINANCING ACTIVITIES		
Payments for transaction costs for the issue of H Shares	**–**	(612)
Proceeds from issue of A Shares	**–**	3,776,500
Payments for transaction costs for the issue of A Shares	**(2,753)**	(28,944)
New borrowings raised	**977,095**	840,362
Repayments of borrowings	**(480,915)**	(113,445)
Interest paid	**(38,227)**	(25,551)
Repayments for lease liabilities	**(52,863)**	(40,815)
Payment for acquisition of non-controlling interests	**–**	(186,250)
Capital contribution to a subsidiary by non-controlling shareholders	**3,000**	386,000
Proceeds from exercise of share options and RSUs	**152,595**	35,764
Proceeds from other partners of investment fund consolidated	**150,000**	–
Payment on repurchase of A Shares	**(26,891)**	–
NET CASH FROM FINANCING ACTIVITIES	**681,041**	4,643,009

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(2,226,345)**	2,400,065
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**5,996,936**	3,504,605
Effect of foreign exchange rate changes	**7,551**	92,266
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCE AND CASH	**3,778,142**	5,996,936

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 Company is ultimately controlled by Mr. Xiong Jun, who is also the Chairman, legal representative and executive director of the Company, and Mr. Xiong Fengxiang, father of Mr. Xiong Jun. 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 NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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 2023

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

New and amendments to IFRSs that are mandatorily effective for the current year (Continued)

2.1 Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in 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.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised 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 difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group disclose the related deferred tax assets of RMB21,956,000 and deferred tax liabilities of RMB21,956,000 on a gross basis in Note 31 but it has no impact on the retained earnings at the earliest period presented.

2.2 Impacts on application of Amendments to IAS 12 Income Taxes International Tax Reform – Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

New and amendments to IFRSs that are mandatorily effective for the current year (Continued)

2.3 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after 1 January 2024.

[3] Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all the amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

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 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information

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.

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Basis of consolidation (Continued)

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.

Change in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 5, 20, 27 and 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

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.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

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.

For the investments in associates and joint ventures in ordinary shares and other instruments that are substantively the same as the investee's 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 financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Investments in associates and joint ventures (Continued)

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.

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 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.

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 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (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.

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; and
- any initial direct costs incurred by the Group.

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 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 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (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; 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.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, 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 Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

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.

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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (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.

Termination benefits

A liability for a termination benefit is recognised when the Group entity can no longer withdraw the offer of the termination benefit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Employee benefits (Continued)

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.

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 or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

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 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities 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 taxable 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, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Property, plant and equipment (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Intangible assets (Continued)

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 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets (Continued)

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.

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; 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.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

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. 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. Trial batches manufactured prior to regulatory approval (including raw materials cost) is charged to research and development expenses when they are produced.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

When assessing whether a contract is onerous or loss-making, the Group includes costs that relate directly to the contract, consisting of both the incremental costs and an allocation of other costs that relate directly to fulfilling contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets the Group holds 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.

(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) 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 be transferred to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(iii) 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.

Impairment of financial assets 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(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 which ECL is assessed individually, the Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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 certain 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item (Note 7) as part of the exchange gains (losses);

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item as part of the gain (loss) from change in fair value of other financial assets measured at FVTPL (Note 7);

- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value through revaluation reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities the Group holds 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.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other gains and losses' line item in profit or loss (Note 7) as part of exchange gains (losses) for financial liabilities that are not part of a designated hedging relationship.

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 2023

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 2023, deferred tax assets (after offsetting deferred tax liabilities) of RMB103,396,000 (2022: RMB228,427,000) 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 RMB1,594,746,000 (2022: RMB1,019,982,000) and the tax losses of RMB9,257,489,000 (2022: RMB6,057,295,000) 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.

Write-down of certain inventories to net realisable value

Write-down of certain inventories to net realisable value is made for those inventories with a carrying amount higher than net realisable value. The assessment of the net realisable value of inventories involves high degree of estimation uncertainties associated with estimated selling prices, future sales quantities and related processing fees and selling expenses. Where the actual outcome or expectation in future is different from the original estimates, such differences will have impact on the carrying amounts of inventories and the write-down/write-back of inventories in the period in which such estimates have been changed.

As at 31 December 2023, the gross amounts of these inventories were approximately RMB125,299,000 (2022: RMB59,759,000), including write-down of inventories of approximately RMB50,072,000 (2022: Nil).

Fair value measurement of financial assets

As at 31 December 2023, certain of the Group's Level 3 unlisted equity investments, unlisted equity investments in partnership and investments in preference shares amounting to RMB642,754,000 (2022: RMB697,740,000) 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 assets. See Note 40b for further disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Provision of ECL for trade receivables

Trade receivables with significant balances are assessed for ECL individually. For ECL assessed individually, the recoverable amounts of the trade receivables are determined by management based on the historical settlement patterns of the customers, management's judgement about credit risk and forward-looking information.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors and internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 20 and Note 40b.

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:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time		
Sale of pharmaceutical products	**1,190,426**	752,755
Licensing income	**283,725**	476,475
Service income	**5,046**	6,029
	1,479,197	1,235,259
Over time		
Service income	**23,353**	218,234
	1,502,550	1,453,493

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities. A receivable is recognised by the Group when the goods are delivered to the customer. Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 45 to 60 days (2022: 60 days) upon delivery.

Under the Group's standard contract terms, customers have a right to return products which are close to expiry dates. The Group uses its accumulated historical experience to estimate the number of return on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A refund liability is recognised for sales in which revenue has yet to be recognised. The Group's right to recover the product when customers exercise their right is recognised as a right to returned goods asset and a corresponding adjustment to cost of sales.

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

During the year ended 31 December 2023 and 2022, the Group entered into several exclusive license development and commercialisation agreements, pursuant to which the Group may receive upfront payment, milestone payments and sales-based royalty. During the year ended 31 December 2023, the Group recognised a total revenue of RMB103,555,000 at a point in time upon the grant of the license, which is the time the customers obtain control on the usage of intellectual property.

For contracts that contain variable consideration in relation to milestone payment and sales-based royalty from license agreement, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which best predicts the amount of consideration to which the Group will be entitled. The potential milestone payments that the Company is eligible to receive were considered as variable consideration as all milestone amounts were fully constrained due to uncertainty of achievement.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Licensing income (Continued)

Notwithstanding the above criteria, the Group shall recognise revenue for a sales-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 occurs; and
- the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

During the year ended 31 December 2023, the Group recognised a milestone payment of RMB179,455,000 at a point in time when certain uncertainty resolved, and recognised sales-based royalty amounting to RMB715,000 according to the license agreement. During the year ended 31 December 2022, the Group recognised an option exercise payment of RMB221,508,000 as licensing income at a point in time when the customer has the ability to use the license upon exercise of option, and recognised sales-based royalty amounting to RMB254,967,000 according to the license agreement.

The normal credit term is 45 days (2022: 45 days) upon issuance of invoices.

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 is recognised over time for time-based service income 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. For over time revenue recognition, 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.

Revenue under fixed fee arrangement is recognised at a point in time for the R&D delivered to the customers by the Group, since the terms of the relevant sales contracts do not create an enforceable right to payment for the Group. Costs to fulfill a contract of the Group are assessed whether these costs qualify for recognition as an asset in terms of other relevant standards and the asset recognised is subsequently amortized to profit or loss on a systematic basis. The normal credit term is 45-60 days (2022: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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.

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	
	2023	2022
	RMB'000	RMB'000
The PRC	**1,180,148**	758,667
The USA	**218,847**	694,826
Others	**103,555**	–
	1,502,550	1,453,493

Information about the Group's non-current assets, excluded non-current financial assets and deferred tax assets, is presented based on the geographical location of the assets as below:

	Non-current assets As at 31 December	
	2023	2022
	RMB'000	RMB'000
The PRC	**4,764,862**	4,199,886
The USA	**24,578**	32,871
	4,789,440	4,232,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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	
	2023	2022
	RMB'000	RMB'000
Customer A[1]	**N/A**	254,967
Customer B[2]	**218,847**	439,742

[1] Revenue from licensing income.

[2] Revenue from licensing income, service income and sales of pharmaceutical products.

6. OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Bank interest income	**99,426**	61,018
Government grants related to property, plant and equipment *(Note a)*	**2,802**	1,451
Other subsidies *(Note b)*	**48,143**	32,738
Others	**413**	683
	150,784	95,890

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 and incentives from PRC government for research and development activities, which are recognised as income upon meeting specific conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss from change in fair value of other financial assets measured at FVTPL	**(144,942)**	(9,032)
Gain on disposal of an associate *(Note 18)*	**130,240**	–
Gain on deemed disposal of an associate *(Note 42)*	**–**	28,847
Loss on disposal of property, plant and equipment	**(2,296)**	(1,838)
Other gain *(Note)*	**30,598**	16,100
Gain on termination of leases	**584**	8,109
Exchange (losses) gains, net	**(2,661)**	50,052
Others	**–**	7
	11,523	92,245

Note: During the year ended 31 December 2023, the Group transferred certain developing pipelines to Shanghai Anlingke Biopharmaceutical Co., Ltd.* 上海安領科生物醫藥有限公司 ("Anlingke") in exchange of 9.45% equity interest in Anlingke, a related party of the Group. One of the Company's non-executive directors is also the chairman of Anlingke. The transaction results in a gain of RMB30,598,000, representing the fair value of the equity interest in Anlingke on the date of transfer.

During the year ended 31 December 2022, the Group transferred developing pipelines to an associate, Junshi Risen (Shanghai) Pharmaceutical Technology Co., Ltd.* 君實潤佳（上海）醫藥科技有限公司("JRPT"), and recognised a gain of RMB16,100,000.

8. FINANCE COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest on bank borrowings	**35,897**	22,977
Less: amounts capitalised in the cost of qualifying assets	**(12,890)**	–
	23,007	22,977
Interest on other financial liabilities	**2,791**	–
Interest on lease liabilities	**3,208**	6,393
	29,006	29,370

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

9. LOSS BEFORE TAX

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss before tax has been arrived at after charging:		
Auditor's remuneration	**3,510**	3,270
Depreciation of property, plant and equipment	**276,744**	242,802
Less: amounts capitalised in the cost of construction in progress	**(9,419)**	(10,187)
amounts included in the cost of inventories	**(27,386)**	(29,747)
	239,939	202,868
Depreciation of right-of-use assets	**52,003**	54,612
Less: amounts capitalised in the cost of construction in progress	**(3,495)**	(3,495)
	48,508	51,117
Amortisation for intangible assets	**14,773**	9,922
Impairment losses recognised on other assets and prepayments included in cost of sales	**32,897**	–
Cost of inventories recognised as an expense (including allowance for inventories of RMB93,417,000 (2022: RMB21,974,000)):		
– Cost of sales	**412,200**	275,191
– Research and development expenses	**266,980**	352,465
Staff costs (including directors' emoluments):		
– Salaries and other benefits	**1,224,977**	1,176,624
– Retirement benefit scheme contributions	**94,851**	95,238
– Share-based payment expenses	**23,977**	93,282
Less: amounts capitalised in the cost of construction in progress	**(18,371)**	(23,538)
amounts included in the cost of inventories	**(51,535)**	(76,780)
	1,273,899	1,264,826

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

10. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current tax		
United States withholding tax	**(88,214)**	46,770
India withholding tax	**7,178**	–
Deferred tax *(Note 31)*	**125,031**	(139,877)
	43,995	(93,107)

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 certain subsidiaries have been accredited as "High and New Technology Enterprises" for a period of three years starting from 2021 to 2023. Accordingly, the profit derived by the Company and these subsidiaries is subject to 15% Enterprise Income Tax rate for the reporting period.

TopAlliance Biosciences Inc., a wholly-owned subsidiary of the Company, is subject to the US California Corporate Income Tax rate of 8.84% (2022: 8.84%) for the year ended 31 December 2023. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

During the year ended 31 December 2023, the Company received a refund of United States Corporate Income Tax previously withheld on licensing income from a United States based customer amounting to RMB106,231,000, and the Company is subject to a United States withholding tax on licensing income received from a US-based customer and an India withholding tax on licensing income received from an India-based customer, amounting to RMB18,017,000 and RMB7,178,000, respectively. The effective tax rate was 10% (2022: from 9% to 10%).

Except for 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 2023

10. INCOME TAX EXPENSE (CREDIT) (CONTINUED)

The income tax expense (credit) for the year can be reconciled to loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss before tax	**(2,489,887)**	(2,675,202)
Tax credit at the PRC EIT rate of 25% (2022: 25%)	**(622,472)**	(668,800)
Tax effect of share of losses of joint ventures	**1,258**	388
Tax effect of share of losses of associates	**13,863**	17,371
Tax effect of income not taxable for tax purpose	**(4,500)**	(2,894)
Tax effect of expenses not deductible for tax purpose	**41,462**	62,945
Tax effect of research and development expenses that are additionally deducted (Note)	**(272,843)**	(216,036)
Tax effect on other deductible temporary differences not recognised	**144,092**	153,352
Utilisation of deductible temporary differences not recognised	**(401)**	(11,220)
Tax effect of tax losses not recognised	**830,718**	523,422
Utilisation of tax losses previously not recognised	**(6,405)**	–
Income tax at concessionary rate	**259**	1,595
Withholding tax	**(81,036)**	46,770
Income tax expense (credit)	**43,995**	(93,107)

Note: Pursuant to Caishui [2018] circular No. 99, Caishui [2021] circular No. 6 and Caishui [2022] circular No. 28, the Company and certain subsidiaries enjoy super deduction of 175% and 200% (2022: 175% and 200%) on qualifying and research and development expenditures for the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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	
	2023	2022
	RMB'000	RMB'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(2,281,624)**	(2,386,067)

Number of shares:

	Year ended 31 December	
	2023	2022
Weighted average number of ordinary shares for the purpose of basic loss per share	**985,302,166**	917,465,166

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2023 excludes shares of treasury stock repurchased and has been adjusted for the issuance of 2,818,231 shares upon the exercise of RSUs on 2 February 2023.

The weighted average number of ordinary shares for the purpose of basic loss 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 2023 and 31 December 2022 do not assume the exercise of the Company's outstanding RSUs as this would result in a decrease in loss per share. Accordingly, diluted loss per share for the years ended 31 December 2023 and 2022 are the same as basic loss per share for the respective year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023							
Chief executive and executive director							
Dr. Li Ning	–	7,297	–	–	7,297	2,633	9,930
Executive directors							
Mr. Xiong Jun	–	4,218	2,750	152	7,120	1,384	8,504
Mr. Zhang Zhuobing	–	3,840	2,750	152	6,742	1,384	8,126
Dr. Yao Sheng	–	4,638	–	–	4,638	3,376	8,014
Mr. Li Cong	–	4,224	–	–	4,224	–	4,224
Dr. Zou Jianjun	–	5,721	–	140	5,861	–	5,861
Dr. Wang Gang *(Note b)*	–	837	300	–	1,137	187	1,324
Non-executive directors							
Dr. Wu Hai *(Note c)*	–	1,579	–	–	1,579	–	1,579
Dr. Feng Hui *(Note a)*	–	4,357	–	105	4,462	–	4,462
Mr. Tang Yi	–	–	–	–	–	–	–
Dr. Li Xin *(Note d)*	–	–	–	–	–	–	–
Supervisors							
Ms. Wang Pingping	–	–	–	–	–	–	–
Mr. Wu Yu	–	–	–	–	–	–	–
Ms. Huo Yilian	–	294	42	104	440	–	440
Independent non-executive directors							
Dr. Chen Lieping *(Note e)*	463	–	–	–	463	–	463
Dr. Feng Xiaoyuan	200	–	–	–	200	–	200
Mr. Qian Zhi	200	–	–	–	200	–	200
Dr. Roy Steven Herbst	2,107	–	–	–	2,107	–	2,107
Mr. Zhang Chun	200	–	–	–	200	–	200
Dr. Meng Anming *(Note f)*	151	–	–	–	151	–	151
	3,321	37,005	5,842	653	46,821	8,964	55,785

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For the year ended 31 December 2023

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 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 *(Note a)*	–	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 g)*	–	4,238	–	86	4,324	–	4,324
Non-executive directors							
Dr. Wu Hai *(Note c)*	–	2,296	–	–	2,296	–	2,296
Mr. Tang Yi	–	–	–	–	–	–	–
Mr. Lin Lijun *(Note h)*	–	–	–	–	–	–	–
Supervisors							
Ms. Wang Pingping	–	–	–	–	–	–	–
Mr. Wu Yu	–	–	–	–	–	–	–
Ms. Huo Yilian	–	286	45	79	410	–	410
Independent non-executive directors							
Dr. Chen Lieping *(Note e)*	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

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For the year ended 31 December 2023

12. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Directors and supervisors (Continued)

Notes:

(a) Dr. Feng Hui was re-designated from executive director to non-executive director in August 2023. His emoluments disclosed above also included those services rendered by him as the executive director.

(b) Dr. Wang Gang was appointed as executive director of the Company in October 2023 and was appointed as deputy general manager of the Company in August 2019. His emoluments disclosed above included those services rendered by him as the executive director.

(c) Dr. Wu Hai resigned as non-executive director in August 2023.

(d) Dr. Li Xin was appointed as non-executive director of the Company in October 2023.

(e) Dr. Chen Lieping resigned as independent non-executive director in June 2023.

(f) Dr. Meng Anming was appointed as independent non-executive director of the Company in June 2023.

(g) 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.

(h) Mr. Lin Lijun resigned as non-executive director in December 2022.

(i) The performance bonus are determined by the board of directors based on the Group's performance for the years ended 31 December 2023 and 2022.

The executive directors' and supervisors' emoluments shown above were for their services in connection with the management or supervision of the affairs of the Company and the Group.

The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or chief executive waived or agreed to waive any remunerations during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

12. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Employees

The five highest paid individuals of the Group during the year included four (2022: three) directors, chief executive and supervisors of the Company.

Details of their emoluments are set out above. The emoluments of the remaining one (2022: two) highest paid employees who are neither a director nor chief executive nor supervisor of the Company are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries and other benefits	**4,425**	8,795
Performance bonus	**–**	5,514
Share-based payment expenses	**1,688**	4,568
	6,113	18,877

Emoluments of the five highest paid individuals fell within the following bands:

	Year ended 31 December	
	2023	2022
Hong Kong Dollar ("HK$") 6,500,001 to HK$7,000,000	**1**	–
HK$8,500,001 to HK$9,000,000	**1**	–
HK$9,000,001 to HK$9,500,000	**2**	–
HK$9,500,001 to HK$10,000,000	**–**	1
HK$10,000,001 to HK$10,500,000	**–**	1
HK$11,000,001 to HK$11,500,000	**1**	–
HK$11,500,001 to HK$12,000,000	**–**	1
HK$14,000,001 to HK$14,500,000	**–**	1
HK$17,000,001 to HK$17,500,000	**–**	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 2023 and 2022, nor has any dividend been declared since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT

	Properties RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2022	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 42)*	–	–	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
Additions	193,559	2,740	1,015	2,242	6,473	888,494	1,094,523
Transfer	373,588	139,580	95,827	–	–	(608,995)	–
Disposals	–	(8,213)	(862)	–	–	–	(9,075)
Exchange realignment	–	–	236	–	–	–	236
At 31 December 2023	**1,607,136**	**1,112,830**	**593,523**	**48,447**	**72,046**	**1,327,684**	**4,761,666**
DEPRECIATION							
At 1 January 2022	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
Provided for the year	54,588	97,073	102,250	5,717	17,116	–	276,744
Disposals	–	(671)	(599)	–	–	–	(1,270)
Exchange realignment	–	–	128	–	–	–	128
At 31 December 2023	**175,815**	**378,012**	**324,959**	**34,024**	**59,447**	**–**	**972,257**
CARRYING VALUES							
At 31 December 2023	**1,431,321**	**734,818**	**268,564**	**14,423**	**12,599**	**1,327,684**	**3,789,409**
At 31 December 2022	918,762	697,113	274,127	17,898	23,242	1,048,185	2,979,327

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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	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 2023 and 2022, certain of the Group's property, plant and equipment have been pledged to secure bank borrowings of the Group as detailed in Note 25.

The Group has obtained the property ownership certificate for all properties except for certain properties with carrying amount RMB407,548,000 (2022: RMB228,955,000) in which the Group is in the process of obtaining.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Machinery RMB'000	Total RMB'000
As at 31 December 2023				
Carrying amount	**412,548**	**51,367**	**–**	**463,915**
As at 31 December 2022				
Carrying amount	217,182	75,645	6,302	299,129
For the year ended 31 December 2023				
Depreciation charge	**8,923**	**42,595**	**485**	**52,003**
For the year ended 31 December 2022				
Depreciation charge	7,547	46,095	970	54,612

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Expenses relating to short-term leases and low-value assets	**12,801**	4,153
Total cash outflow for leases	**268,678**	51,361
Additions to right-of-use assets	**229,365**	88,537

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 (2022: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

15. RIGHT-OF-USE ASSETS (CONTINUED)

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 2023 and 2022, 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 2023 and 2022, certain of the Group's right-of-use assets (leasehold lands) have been pledged to secure bank borrowings of the Group as detailed in Note 25.

As at 31 December 2023 and 2022, 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 29 and 40b.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2022	28,891	19,811	98	–	48,800
Acquired on acquisition of a subsidiary *(Note 42)*	–	–	–	57,733	57,733
Additions	10,682	–	766	–	11,448
At 31 December 2022	39,573	19,811	864	57,733	117,981
Additions	50,264	–	13	–	50,277
At 31 December 2023	**89,837**	**19,811**	**877**	**57,733**	**168,258**
AMORTISATION					
At 1 January 2022	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
Charge for the year	11,544	–	89	3,140	14,773
At 31 December 2023	**27,897**	**–**	**187**	**5,757**	**33,841**
CARRYING VALUES					
At 31 December 2023	**61,940**	**19,811**	**690**	**51,976**	**134,417**
At 31 December 2022	23,220	19,811	766	55,116	98,913

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 pipeline, for the purpose of conducting preclinical development, clinical research and commercialisation of certain drug. The Group paid an upfront payment of RMB19,811,000 and such payment was capitalised as intangible asset. The management is of the view that the intangible asset is not yet available for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. INTERESTS IN JOINT VENTURES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Cost of investments in joint ventures	**80,000**	111,000
Share of post-acquisition losses	**(5,344)**	(1,494)
	74,656	109,506

Details of the Group's interests in joint ventures are as follows:

Name of entities	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 2023	As at 31 December 2022	**As at 31 December 2023**	As at 31 December 2022	
Shanghai Ruotuo Biotechnology Co., Ltd.* (上海偌妥生物科技有限公司) ("Ruotuo Bio") (Note a)	The PRC	The PRC	**49%**	N/A	**49%**	N/A	Discovery, development and commercialisation of innovative drugs
Suzhou Kebo Ruijun Biosciences Co., Ltd.* (蘇州科博瑞君生物醫藥科技有限公司)	The PRC	The PRC	**50%**	50%	**50%**	50%	Discovery, development and commercialisation of innovative drugs
Shanghai Linjing Economic Development Co., Ltd.* (上海臨境經濟發展有限公司) ("Linjing", formerly known as Shanghai Lijing Biosciences Technology Limited* (上海禮境生物醫藥科技有限公司) *(Note b)*	The PRC	The PRC	**N/A**	50%	**N/A**	50%	Discovery, development and commercialisation of innovative drugs
Beijing Tianshi Pharmaceutical Technology Co., Ltd.* (北京天實醫藥科技有限公司) ("Beijing Tianshi") *(Note b)*	The PRC	The PRC	**N/A**	50%	**N/A**	50%	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. INTERESTS IN JOINT VENTURES (CONTINUED)

Notes:

(a) On 20 September 2023, the Group acquired 49% equity interest in Ruotuo Bio from an associate of the Group, Anwita Biosciences, Inc. ("Anwita"), with a paid cash consideration of RMB50,000,000. Upon the completion of the transaction, Ruotuo Bio became a joint venture of the Group.

(b) During the year ended 31 December 2023, the Group disposed the entire interest of Linjing and Beijing Tianshi to third parties for proceeds of RMB78,366,000 and RMB1,152,000, respectively.

No additional disclosure of financial information of joint ventures as there is no individually material joint venture.

Aggregate information of joint ventures that are not individually material

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
The Group's share of loss and total comprehensive expense	**(5,031)**	(1,550)
Aggregate carrying amount of the Group's interests in these joint ventures	**74,656**	109,506

18. INTERESTS IN ASSOCIATES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Cost of investments in associates	**211,961**	501,961
Share of post-acquisition losses	**(44,041)**	(118,828)
	167,920	383,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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	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 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022	
Anwita (Note a)	The USA	The USA	19.53%	19.53%	19.53%	19.53%	Discovery, development and commercialisation of innovative drugs
Shanghai Junpai Yingshi Pharmaceutical Co., Ltd.* (上海君派英實藥業有限公司) ("JPYP") *(Note b)*	The PRC	The PRC	N/A	50%	N/A	50%	Discovery, development and commercialisation of innovative drugs
JRPT	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)	The PRC	The PRC	50%	50%	50%	50%	Inactive
Chengdu Qingsheng Biopharmaceutical Technology Co., Ltd.* (成都輕勝生物醫藥科技有限公司) ("Chengdu Qingsheng") *(Note c)*	The PRC	The PRC	30%	N/A	30%	N/A	Discovery, development and commercialisation of innovative drugs
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") *(Note d)*	The PRC	The PRC	0.33%	0.33%	0.33%	0.33%	Investment fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. INTERESTS IN ASSOCIATES (CONTINUED)

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.

(b) On 6 November 2023, the Group disposed the entire interest of JPYP to Impact Therapeutics, Inc.* (南京英派藥業有限公司), the holding company of JPYP, for a proceed of RMB300,000,000. A gain on disposal of RMB130,240,000 was resulted.

(c) In December 2023, JunTop Biosciences acquired 30% equity interest of Chengdu Qingsheng for a cash consideration of RMB10,000,000.

(d) The Group is able to exercise significant influence over Junshi Phase I Fund because the Group manages the fund's day to day investment and disposition activities on behalf of the fund under the partnership agreement of Junshi Phase I Fund.

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 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 42.

No additional disclosure of financial information of associates as there is no individually material associate.

Aggregate information of associates that are not individually material

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
The Group's share of losses and total comprehensive expense	**(55,453)**	(69,482)
Aggregate carrying amount of the Group's interests in these associates	**167,920**	383,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

19. INVENTORIES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Raw materials	**247,350**	338,942
Work in progress	**216,497**	219,213
Finished goods	**74,206**	40,866
	538,053	599,021

During the year ended 31 December 2023, due to anticipated decrease of product selling price and close to expiration date of certain inventories, the Group accrued total provision of RMB93,417,000 of those inventories.

20. TRADE RECEIVABLES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables	**498,080**	232,743
Less: Allowance for credit losses	**(18,357)**	(18)
	479,723	232,725

The trade receivables are receivables from contracts with customers.

As at 1 January 2022, the trade receivables from contracts with customers amounted to RMB1,292,933,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. TRADE RECEIVABLES (CONTINUED)

The aged analysis of the Group's trade receivables net of allowance for credit losses, based on invoice date, at the end of each reporting period are as follows:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
0 – 90 days	**462,972**	232,725
91 – 180 days	**9,484**	–
Over 180 days	**7,267**	–
	479,723	232,725

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB206,151,000 (2022: Nil) which are past due and the impairment amount is RMB18,357,000.

Out of the past due balance, RMB8,388,000 (2022: Nil) has been past due 90 days or more and is not considered as in default as they are due from customers with good reputation and lower risk of default.

Subsequent to the year end, the payment schedule for the Group's trade receivables balance amounting to RMB177,068,000 was revised. Based on the revised payment schedule, RMB88,534,000 will be due in the second quarter of 2024 and the remainder will be due in the first quarter of 2025.

Details of impairment assessment of trade receivables are set out in Note 40.

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21. OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Deposits		
– current	**27,139**	17,933
– non-current	**29,265**	26,817
Prepayments		
– current *(Note a)*	**245,217**	239,822
– non-current *(Note b)*	**101,175**	293,562
Amount due from a partner of a joint operation *(Note c)*	**3,900**	5,853
Interest receivables	**530**	2,719
Value added tax ("VAT") recoverable *(Note d)*		
– current	**134,194**	79,424
– non-current	**57,948**	42,370
Right to returned goods asset *(Note e)*	**–**	–
Consideration receivables arising from equity transfer transactions	**339,167**	–
	938,535	708,500
Less: Allowance for credit losses	**(5,759)**	(614)
	932,776	707,886
Analysis as		
– current	**744,388**	345,137
– non-current	**188,388**	362,749
	932,776	707,886

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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. During the year ended 31 December 2023, impairment losses of RMB27,187,000 (2022: Nil) were recognised on prepayments relating to purchase of raw materials, due to anticipated decrease of product selling price.

(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) Included in VAT recoverable are RMB134,194,000 (2022: RMB79,424,000) presented as current assets as at 31 December 2023 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 RMB57,948,000 (2022: RMB42,370,000) are therefore presented as non-current assets as at 31 December 2023.

(e) During the year ended 31 December 2023, impairment losses of RMB5,710,000 (2022: Nil) were recognised on right to returned goods asset.

Details of impairment assessment of other receivables are set out in Note 40.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

22. OTHER FINANCIAL ASSETS

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current assets		
Financial assets measured at FVTPL		
– Unlisted equity investments in partnership *(Note a)*	**153,777**	156,235
– Unlisted equity investments *(Note b)*	**42,182**	12,182
– Investments in preference shares *(Note c)*	**610,393**	604,323
	806,352	772,740
Financial assets designated as FVTOCI *(Note d)*	**84,184**	137,457
	890,536	910,197

Notes:

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

(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 and ordinary shares with preferred rights in unlisted entities, which are mainly engaged in drug discovery. For an investment with fair value of RMB81,793,000 (2022: RMB92,163,000), one out of seven members in the board of directors is designated by the Group.

(d) These investments are not held for trading; instead, they are held for long-term strategic purpose. The management of the Group have elected to designate these investments in equity instruments as at FVTOCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

23. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank deposits represent the deposits placed in restricted bank accounts mainly for the bank borrowings and judicial freezing. As at 31 December 2023 and 2022, the restricted bank deposits will be released in one year and are therefore classified as current assets.

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 5.28% per annum at 31 December 2023 (2022: from 0.0001% to 4.12% per annum).

Details of the impairment assessment of restricted bank deposits and bank balances are set out in Note 40.

24. TRADE AND OTHER PAYABLES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables		
– third parties	**247,264**	281,600
Accrued expenses in respect of:		
– construction costs	**479,284**	133,382
– research and development expenses *(Note a)*	**408,516**	415,751
– selling and distribution expenses	**133,997**	65,783
– others	**97,137**	75,205
Payable to licensor *(Note b)*	**–**	69,097
Payable to a collaboration party under collaboration agreement *(Note c)*	**14,947**	16,639
Salary and bonus payables	**234,202**	191,903
Other tax payables	**41,411**	35,187
Payable for transaction costs for the issue of new shares	**–**	2,898
Other payables	**49,257**	50,955
	1,706,015	1,338,400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

24. TRADE AND OTHER PAYABLES (CONTINUED)

Payment terms with suppliers are mainly with credit term of 0 days to 90 days (2022: 0 days to 90 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	
	2023	2022
	RMB'000	RMB'000
0 – 30 days	**60,582**	87,591
31 – 60 days	**33,363**	66,244
61 – 180 days	**72,400**	72,321
Over 180 days	**80,919**	55,444
	247,264	281,600

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 31 December 2022.

(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 2023

25. BORROWINGS

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Bank borrowings		
– secured	**868,364**	797,783
– unsecured	**866,821**	433,549
	1,735,185	1,231,332
The maturity profile of bank borrowings is as follows:		
– within one year	**539,391**	391,750
– within a period of more than one year but not exceeding two years	**120,135**	84,836
– within a period of more than two years but not exceeding five years	**700,751**	397,708
– within a period of more than five years	**374,908**	357,038
	1,735,185	1,231,332
Less: Amount due within one year shown under current liabilities	**(539,391)**	(391,750)
Amount shown under non-current liabilities	**1,195,794**	839,582

All bank borrowings are denominated in RMB as at 31 December 2023 and 2022.

The exposure of the Group's borrowings are as follows:

	2023	2022
	RMB'000	RMB'000
Fixed-rate borrowings	**452,435**	351,362
Variable-rate borrowings	**1,282,750**	879,970
	1,735,185	1,231,332

The Group's variable-rate borrowings carry interest at Loan Prime Rate ("LPR") minus a margin, ranging from 0.45% to 0.85% (2022: 0.45% to 0.85%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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:	**2023**	2022
Fixed-rate bank borrowings	**1.98% – 3.35% per annum**	1.90% – 2.00% per annum
Variable-rate bank borrowings	**3.30% – 3.75% per annum**	3.65% – 3.85% per annum

The Group has pledged the following assets as securities for the Group's bank borrowings at the end of reporting period:

	2023	2022
	RMB'000	RMB'000
Restricted bank deposits	**4,672**	31,086
Property, plant and equipment	**630,372**	672,430
Right-of-use assets	**140,683**	146,166
	775,727	849,682

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

26. DEFERRED INCOME

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants related to property, plant and equipment *(Note a)*	**117,774**	107,875
Other subsidies *(Note b)*	**65,690**	14,180
	183,464	122,055
Analysis as:		
– current	**2,400**	440
– non-current	**181,064**	121,615

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

27. CONTRACT LIABILITIES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Sale of pharmaceutical products	**1,959**	–
Licensing income *(Note)*	**141,509**	–
Service income	**2,830**	–
	146,298	–
Analysis as:		
– current	**146,298**	–

As at 1 January 2022, there were no contract liabilities. Contract liabilities are classified as current based on the Group's obligation to transfer goods or services to the customers.

Note: The significant increase in contract liabilities in the current year was mainly due to an upfront payment received in connection with a license granted to an independent third party. As at 31 December 2023, the Group had not met the conditions as stipulated in the agreement.

28. PROVISIONS AND OTHER LIABILITIES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Provisions *(Note a)*	**19,642**	–
Refund liabilities arising from right of return *(Note b)*	**7,462**	–
	27,104	–

Notes:

(a) The provision for onerous contracts relates to certain purchase contracts under which the unavoidable costs of meeting the obligation exceed the economic benefits to be received due to anticipated decrease of product selling price.

(b) The refund liabilities relate to customers' right to return products. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

29. LEASE LIABILITIES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**35,931**	43,664
Within a period of more than one year but not exceeding two years	**12,636**	30,712
Within a period of more than two years but not exceeding five years	**4,815**	15,873
	53,382	90,249
Less: Amount due for settlement with 12 months shown under current liabilities	**(35,931)**	(43,664)
Amount due for settlement after 12 months shown under non-current liabilities	**17,451**	46,585

The incremental borrowing rates applied to lease liabilities range from 3.45% to 5.23% (2022: 3.70% to 5.23%) per annum for the year ended 31 December 2023.

30. OTHER FINANCIAL LIABILITIES

Other financial liabilities represent amount received from other limited partners of Wuxi Runyuan Biomedical Venture Capital Investment Partnership (Limited Partnership) * (無錫潤元生物醫藥創業投資合夥企業(有限合夥)) ("Wuxi Runyuan"), a subsidiary of the Company. The amount is measured at amortised cost based on the terms stipulated in the investment agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

31. DEFERRED TAXATION

The following is a summary of the deferred tax balances after offsetting for financial reporting purposes:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Deferred tax assets	**103,396**	228,427

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**	**Lease liabilities** *(Note 2.1)*	**Unused tax losses**	**Unrealised gains of intercompany sales inventories**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	29	2,567	2,210	21,956	83,744	–	110,506
Credited to profit or loss	5	611	(12)	(9,578)	135,910	3,363	130,299
At 31 December 2022	34	3,178	2,198	12,378	219,654	3,363	240,805
Credited (charge) to profit or loss	27	9	3,949	(5,974)	(115,771)	2,705	(115,055)
At 31 December 2023	**61**	**3,187**	**6,147**	**6,404**	**103,883**	**6,068**	**125,750**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

31. DEFERRED TAXATION (CONTINUED)

The following are the major deferred tax liabilities recognised and movements thereon before offsetting during the current and prior years.

	Financial assets at FVTPL	Right-of-use assets *(Note 2.1)*	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2022	–	(21,956)	(21,956)
Credited to profit or loss	–	9,578	9,578
At 31 December 2022	–	(12,378)	(12,378)
(Charge) credited to profit or loss	(15,426)	5,450	(9,976)
At 31 December 2023	**(15,426)**	**(6,928)**	**(22,354)**

As at 31 December 2023, the Group had deductible temporary differences and unused tax losses of RMB1,692,408,000 (2022: RMB1,056,038,000) and RMB9,948,772,000 (2022: RMB7,172,970,000), respectively, available for offset against future profits. A deferred tax asset has been recognised in respect of RMB97,662,000 (2022: RMB36,056,000) and RMB691,283,000 (2022: RMB1,115,675,000) of such deductible temporary differences and tax losses respectively as at 31 December 2023. 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	
	2023	2022
	RMB'000	RMB'000
Accrued expenses	**1,018,052**	698,709
Share-based payment expenses	**296,873**	280,437
Deferred income	**48,880**	13,804
Tax losses	**9,257,489**	6,057,295
Others	**230,941**	27,032
	10,852,235	7,077,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

31. DEFERRED TAXATION (CONTINUED)

The unrecognised unused tax losses for the PRC subsidiaries of RMB9,210,346,000 (2022: RMB5,990,659,000) 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 RMB47,143,000 (2022: RMB66,636,000) that are available to offset future profits. All tax losses may carry forward indefinitely.

32. SHARE CAPITAL

	Total number of shares	Amount RMB'000
Registered, issued and fully paid at RMB1.0 per share:		
At 1 January 2022	910,756,700	910,757
A shares issued on the STAR Market *(Note)*	70,000,000	70,000
Exercise of share options *(Note 35)*	1,845,200	1,845
Exercise of RSUs *(Note 35)*	269,740	270
At 31 December 2022	982,871,640	982,872
Exercise of RSUs *(Note 35)*	2,818,231	2,818
At 31 December 2023	**985,689,871**	**985,690**

Note: 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.

Save for disclosed elsewhere, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

33. TREASURY SHARE

During the year ended 31 December 2023, the Company repurchased its own ordinary shares through the STAR Market of the Shanghai Stock Exchange as follows:

Month of repurchase	No. of ordinary shares	Price per share		Aggregate consideration paid
		Highest	Lowest	
		RMB	RMB	RMB'000
September 2023	**388,445**	**38.99**	**37.91**	**15,030**
October 2023	**171,266**	**40.49**	**40.14**	**6,905**
December 2023	**119,316**	**41.69**	**41.34**	**4,956**
	679,027			**26,891**

34. CAPITAL AND OTHER COMMITMENTS

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– acquisition of property, plant and equipment	**1,705,623**	754,965
Other commitments in respect of investments	**305,763**	180,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

35. SHARE-BASED PAYMENT TRANSACTIONS

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 2023

				Number of RSUs				
Date of grant	Exercise price RMB	Vesting date	Expiry date	Outstanding at 1 January 2023	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2023
16 November 2020	55.50	16 November 2022	15 November 2023	6,130,740	–	(2,088,696)	(4,042,044)	–
16 November 2020	55.50	16 November 2023	15 November 2024	6,159,540	–	–	–	6,159,540
Total				12,290,280	–	(2,088,696)	(4,042,044)	6,159,540
Exercisable at the end of the year								6,159,540
Weighted average exercise price (RMB)				55.50	–	55.50	55.50	55.50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Restricted A Share Incentive Scheme (Continued)

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	Exercised 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

During the year ended 31 December 2023, share-based payment expense of RMB16,105,000 (2022: RMB61,280,000) (net of RMB786,000 (2022: RMB677,000) capitalised in cost of construction in progress) has been recognised in profit or loss.

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35. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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 2nd anniversary of the first trading day following the end of the 24 months from 15 November 2021	further 50% vest

Movement in the number of RSUs granted under the Reserved Restricted A Share Scheme is as follows:

For the year ended 31 December 2023

				Number of RSUs			
Date of grant	Exercise price RMB	Vesting date	Expiry Date	Outstanding at 1 January 2023	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2023
15 November 2021	55.50	15 November 2022	15 November 2023	2,418,850	(729,535)	(1,689,315)	–
15 November 2021	55.50	15 November 2023	15 November 2024	2,418,850	–	–	2,418,850
Total				4,837,700	(729,535)	(1,689,315)	2,418,850
Exercisable at the end of the year							2,418,850
Weighted average exercise price (RMB)				55.50	55.50	55.50	55.50

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35. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Reserved Restricted A Share Incentive Scheme (Continued)

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	Exercised 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

During the year ended 31 December 2023, share-based payment expense of RMB6,879,000 (2022: RMB30,631,000) (net of RMB207,000 (2022: RMB694,000) capitalised in cost of construction in progress) has been recognised in profit or loss.

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For the year ended 31 December 2023

36. 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 2023, 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 RMB89,915,000 (2022: RMB91,168,000) while retirement benefits scheme contributions incurred for employees in the USA amounted to RMB4,936,000 (2022: RMB4,070,000).

37. RELATED PARTY DISCLOSURES

Save for disclosed elsewhere in the report, the Group had entered into the following material transactions with related parties:

(a) Related party transactions

		Year ended 31 December	
		2023	2022
		RMB'000	RMB'000
Ruotuo Bio	R&D expenses incurred	**4,969**	7,554
JPYP	Service income	**1,887**	–
Junshi Phase I Fund	Management fee income	**990**	624
Obio Technology (Shanghai) Co., Ltd.* (和元生物技術(上海)股份有限公司) ("Obio") *(Note)*	R&D expenses incurred	**2**	–

Note: One of the Company's directors is also the director of Obio.

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For the year ended 31 December 2023

37. RELATED PARTY DISCLOSURES (CONTINUED)

(b) 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	
	2023	2022
	RMB'000	RMB'000
Short-term benefits and performance bonus	**53,849**	57,849
Share-based payment expenses	**7,424**	23,201
Post-employment benefits	**906**	753
	62,179	81,803

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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For the year ended 31 December 2023

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries directly and indirectly held by the Company at 31 December 2023 and 2022 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 2023	As at 31 December 2022	
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
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 RMB181,848,960	100%	100%	Discovery, development and commercialisation of innovative drugs
TopAlliance Biosciences Inc.	The United States 6 March 2013	Registered capital of United States Dollar ("US$") 95,000,000 (equivalent to RMB616,357,000) and paid-up capital of US$95,000,000 (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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38. 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 2023	As at 31 December 2022	
JunTop Biosciences	The PRC 6 August 2021 Limited liability company	Registered capital of RMB440,366,972 and paid-up capital of RMB440,366,972	71.85%	71.85%	Discovery, development and commercialisation of innovative drugs
Suzhou Junjing	The PRC 23 September 2020 Limited liability company	Registered capital of RMB51,020,408 and paid-up capital of RMB51,020,408	51%	51%	Discovery, development and commercialisation of innovative drugs
Wuxi Runyuan	The PRC 29 May 2023 Limited partnership	N/A	50%	N/A	Investment fund
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
Vinnerna Biosciences	The PRC 31 December 2021 Limited liability company	Registered capital of RMB10,000,000 and paid-up capital of RMB5,000,000	71.85%	35.925%	Discovery, development and commercialisation of innovative drugs

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

None of the subsidiaries had issued any debt securities at the end of both years or at any time during both years.

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 2023 and 2022:

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	
		2023	2022	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
JunTop Biosciences	The PRC	28.15%	28.15%	(198,234)	(192,953)	177,487	246,912
Individually immaterial subsidiary with non-controlling interests				(54,024)	(3,075)	(8,101)	45,922
				(252,258)	(196,028)	169,386	292,834

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 2023 and 2022.

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For the year ended 31 December 2023

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

JunTop Biosciences

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Current assets	**687,389**	1,117,457
Non-current assets	**242,472**	276,079
Current liabilities	**(240,354)**	(147,888)
Non-current liabilities	**(59,000)**	(17,980)
Equity attributable to owners of the Company	**453,020**	980,756
Non-controlling interests of JunTop Biosciences	**177,487**	384,248
Non-controlling interests of JunTop Biosciences' subsidiary	**–**	(137,336)

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For the year ended 31 December 2023

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

JunTop Biosciences (Continued)

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss attributable to owners of the Company	**(400,089)**	(129,195)
Loss attributable to the non-controlling interests of JunTop Biosciences	**(156,750)**	(55,617)
Loss attributable to the non-controlling interests of JunTop Biosciences' subsidiary	**(41,484)**	(137,336)
Loss and other comprehensive expense for the year	**(598,323)**	(322,148)
Dividends declared to non-controlling interests of JunTop Biosciences	**–**	–
Net cash outflow from operating activities	**(601,550)**	(414,473)
Net cash outflow from investing activities	**(149,407)**	(76,159)
Net cash (outflow) inflow from financing activities	**(10,418)**	372,324
Net cash outflow	**(761,375)**	(118,308)

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For the year ended 31 December 2023

39. 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, lease liabilities, 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.

40. FINANCIAL INSTRUMENTS

40a. Categories of financial instruments

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Financial assets		
At amortised cost	**4,661,628**	6,313,455
Financial assets at FVTPL	**806,352**	772,740
Financial assets at FVTOCI	**84,184**	137,457
Financial liabilities		
At amortised cost	**2,199,444**	1,626,232

40b. 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, other financial liabilities 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The Group has foreign currency bank balances, trade and other receivables 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	
	2023	2022
	RMB'000	RMB'000
Assets		
US$	**694,664**	859,497
HK$	**–**	4,908
Liabilities		
US$	**(22,152)**	(20,441)
HK$	**(1,041)**	–
Great Britain Pound ("GB£")	**(392)**	(8,201)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in RMB against US$, HK$ and GB£. 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 US$, HK$ and GB£. For a 5% weakening of RMB against US$, HK$ and GB£, there would be an equal and opposite impact on loss for the year.

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Impact on loss for the year		
US$	**(33,626)**	(41,953)
HK$	**52**	(245)
GB£	**20**	410

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during both years.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in related to fixed-rate bank borrowings (Note 25) and lease liabilities (Note 29).

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 borrowings.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Total interest income from financial assets that are measured at amortised cost is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest income		
Financial assets at amortised cost	**99,426**	61,018

Total interest expense for financial liabilities that are measured at amortised cost is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest expenses		
Financial liabilities at amortised cost	**25,798**	22,977

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 (2022: 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 (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2023 would increase/decrease by RMB3,591,000 (2022: RMB4,400,000), this is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. 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 measured at FVTPL and financial assets designated as FVTOCI.

If the fair value of the respective investments had been 5% higher/lower, the other comprehensive expense for the year ended 31 December 2023 would decrease/increase by RMB4,209,000 (2022: decrease/increase by RMB6,873,000), as a result of the changes in fair value of financial assets designated as FVTOCI.

For sensitivity analysis of financial assets measured at FVTPL, if the fair value of the respective investments had been 5% (2022: 5%) higher/lower, the loss for the year ended 31 December 2023 would decrease/increase by RMB40,318,000 (2022: RMB38,637,000) 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.

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 2023

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. 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. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC and the USA which accounted for 59% (2022: 75%) and 41% (2022: 25%) of the total trade receivables, respectively as at 31 December 2023. In addition, the Group has concentration of credit risk as 41.0% (2022: 36.8%) of the total trade receivables was due from the Group's licensing and service income for one (2022: one) 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.

The Group performs impairment assessment under ECL model on trade receivable balances individually and based on provision matrix. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories and current past due exposure for the customers. An impairment loss of RMB18,339,000 is recognised during the year (2022: RMB18,000). Details of the quantitative disclosures are set out below in this note.

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 year ended 31 December 2023, the Group assessed the ECL for other receivables and deposits and recognised impairment of RMB5,145,000 (2022: RMB29,000) during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. 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

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For the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. 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 2023 RMB'000	2022 RMB'000
Financial assets at amortised cost						
Restricted bank deposits	*23*	AA	N/A	12m ECL	**9,521**	31,086
Bank balances	*23*	AA	N/A	12m ECL	**3,778,142**	5,996,936
Deposits and other receivables	*21*	N/A	Low risk	12m ECL	**400,001**	53,322
Trade receivables	*20*	N/A	*(Note)*	Lifetime ECL (provision matrix)	**294,341**	147,181
Trade receivables	*20*	N/A	Watch list	Lifetime ECL (individually assessed)	**203,739**	85,562
					4,685,744	6,314,087

Note: For trade receivables, 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 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 2023

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. 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 and internal credit ratings to assess the impairment for its customers in relation to its operation of sales of pharmaceutical products and service income. 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). Debtors with significant outstanding balances with gross carrying amounts of RMB203,739,000 as at 31 December 2023 (2022: RMB85,562,000) were assessed individually.

Gross carrying amount

	2023		2022	
	Average loss rate %	**Trade receivables RMB'000**	Average loss rate %	Trade receivables RMB'000
Current-not past due	**0**	**282,702**	0	147,181
Current-past due 0-90 days	**4**	**3,251**	N/A	–
Current-past due over 90 days	**12**	**8,388**	N/A	–
		294,341		147,181

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.

As at 31 December 2023, the Group provided RMB1,152,000 (2022: RMB18,000) impairment allowance for trade receivables based on collective assessment. As at 31 December 2023, impairment allowance of RMB17,205,000 (2022: Nil) were made on debtors with significant balances assessed individually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. 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 under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000
As at 1 January 2022	–
– Impairment losses recognised	18
As at 31 December 2022	18
– Impairment losses recognised	18,339
As at 31 December 2023	**18,357**

The following table shows the reconciliation of loss, allowances that has been recognised for deposits and other receivables under 12m ECL approach.

	12m ECL RMB'000
As at 1 January 2022	590
– Impairment losses recognised	278
– Impairment losses reversed	(249)
– Write off	(5)
As at 31 December 2022	614
– Impairment losses recognised	5,201
– Impairment losses reversed	(56)
As at 31 December 2023	**5,759**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. Financial risk management objectives and policies (Continued)

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 Company monitor the utilisation of bank borrowings and ensure compliance with loan covenants.

The Group relied on borrowings and the issuance of shares as significant sources of liquidity. Details of which are set out in Note 25 and Note 32, respectively.

The following table details the Group remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity table

	Weighted average effective interest rate	Repayable on demand or less than 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
At 31 December 2023							
Non-derivative financial liabilities							
Trade and other payables	–	311,468	–	–	–	311,468	311,468
Borrowings	3.53	582,528	161,101	781,177	421,382	1,946,188	1,735,185
Other financial liabilities	3.70	–	–	–	183,300	183,300	152,791
Lease liabilities	4.38	37,506	13,769	5,967	–	57,242	53,382
		931,502	174,870	787,144	604,682	2,498,198	2,252,826
At 31 December 2022							
Non-derivative financial liabilities							
Trade and other payables	–	394,900	–	–	–	394,900	394,900
Borrowings	3.74	423,182	114,957	462,610	380,299	1,381,048	1,231,332
Lease liabilities	4.54	50,325	33,550	43,495	–	127,370	90,249
		868,407	148,507	506,105	380,299	1,903,318	1,716,481

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40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. 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 and liabilities are determined.

Financial assets	Fair value at 31 December 2023 RMB'000	Fair value at 31 December 2022 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Financial assets at FVTPL					
Investment in preference shares	24,059	20,000	2023: Level 3 (2022: Level 2)	2023: Back-solve from recent transaction price 2022: Recent transaction price	2023: Recent transaction price/ Redemption/Liquidation/IPO probability/risk-free rate/expected volatility/liquidity discount 2022: N/A
Unlisted equity investment	5,380	5,380	Level 3	Back-solve from recent transaction price	Recent transaction price/Redemption/ Liquidation/IPO probability/risk-free rate/expected volatility/liquidity discount
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% (2022: 28%) and P/R&D multiple of 3.28 (2022: 3.28), taking into account management's experience and knowledge of market conditions
Investment in preference shares	152,508	151,167	Level 3	Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple	Discount rate of 16 % (2022: 21%) and P/R&D multiple of 9.82 (2022: 13.45), taking into account management's experience and knowledge of market conditions

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40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. 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 2023 RMB'000	Fair value at 31 December 2022 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Investment in preference shares	47,377	58,964	Level 3	2023: Back-solve from recent transaction price 2022: Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple	2023: Recent transaction price/ Liquidation/IPO probability/risk–free rate/expected volatility/liquidity discount 2022: Discount rate of 28% and P/R&D multiple of 8.28, taking into account management's experience and knowledge of market conditions
Investments in preference shares	24,054	22,492	Level 3	2023: Market comparison approach – in this approach, fair value was determined with reference to Price-to-cumulative Research & Development Expenses multiple ("P/R&D multiple") 2022: Back-solve from recent transaction price	2023: Discount rate of 25% and P/R&D multiple of 3.44, taking into account management's experience and knowledge of market conditions 2022: Redemption/Liquidation/IPO probability/risk–free rate/expected volatility/liquidity discount
Investments in preference shares	43,078	40,556	Level 3	2023: Back-solve from recent transaction price 2022: Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple	2023: Recent transaction price/ Redemption/Liquidation/IPO probability/risk–free rate/expected volatility/liquidity discount 2022: Discount rate of 24% and P/R&D multiple of 9.93, taking into account management's experience and knowledge of market conditions
Investments in preference shares	23,673	26,028	Level 3	2023: Back-solve from recent transaction price 2022: Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple	2023: Recent transaction price/ Redemption/Liquidation/IPO probability/risk–free rate/expected volatility/liquidity discount 2022: Discount rate of 23% and P/R&D multiple of 5.28 taking into account management's experience and knowledge of market conditions

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40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. 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 2023 RMB'000	Fair value at 31 December 2022 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Investments in preference shares	54,843	55,000	2023: Level 3 (2022: Level 2)	2023: Back-solve from recent transaction price 2022: Recent transaction price	2023: Recent transaction price/ Redemption/Liquidation/IPO probability/risk–free rate/expected volatility/liquidity discount 2022: N/A
Investments in preference shares	–	74,430	Level 3	2023: Discounted cash flow – Future cash flows are estimated based on expected return 2022: Back-solve from recent transaction price.	2023: Expected return 2022: Recent transaction price/ Redemption/Liquidation/IPO probability/risk–free rate/expected volatility/liquidity discount
Investments in preference shares	81,793	92,163	Level 3	2023: Back-solve from recent transaction price 2022: Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple	2023: Redemption/Liquidation/IPO probability/risk–free rate/expected volatility/liquidity discount 2022: Discount rate of 18% and P/R&D multiple of 2.22, taking into account management's experience and knowledge of market conditions
Investments in preference shares	–	63,522	Level 3	2023: Discounted cash flow – Future cash flows are estimated based on expected return 2022: Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple	2023: Expected return 2022: Discount rate of 27% and P/R&D multiple of 3.06, taking into account management's experience and knowledge of market conditions

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40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. 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 2023 RMB'000	Fair value at 31 December 2022 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Investment in unlisted equity investments in partnership	153,777	156,236	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
Unlisted equity investment	30,000	–	Level 2	Recent transaction price	N/A
Investment in preference shares	159,008	–	Level 2	Recent transaction price	N/A
	806,352	772,740			
Financial assets at FVTOCI					
Listed equity investment	58,774	137,457	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity investment	25,410	–	Level 3	Back-solve from recent transaction price	Recent transaction price/Redemption/ Liquidation/IPO probability/risk–free rate/expected volatility/liquidity discount
	890,536	910,197			

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. 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 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
Additions	30,598	–	–	30,598
Transfer into Level 3 due to change of valuation technique *(Note)*	–	–	75,000	75,000
Dividend received	–	(6,219)	–	(6,219)
Change in fair value credited (charged) to profit or loss	–	3,760	(152,937)	(149,177)
Change in fair value charged to other comprehensive expense	(5,188)	–	–	(5,188)
At 31 December 2023	**37,592**	**153,777**	**451,385**	**642,754**

Note: These investments were measured by recent transaction price as at the end of preceding reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. Financial risk management objectives and policies (Continued)

Fair value measurements of financial instruments (Continued)

(ii) Reconciliation of Level 3 fair value measurements (Continued)

Of the total losses for the year included in profit or loss, RMB149,177,000 (2022: RMB19,037,000) loss relates to financial assets measured at FVTPL held at the end of the current reporting period. Fair value gains or losses on financial assets measured at FVTPL are included in 'other gains and losses'.

Included in other comprehensive expense is an amount of RMB5,188,000 (2022: Nil) loss relating to unlisted equity investments designated as at FVTOCI held at the end of the current reporting period and is reported as changes of revaluation reserve.

(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 2023

41. 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 29)*	**Borrowings** RMB'000 *(Note 25)*	**Other financial liabilities** RMB'000 *(Note 30)*	**Payable for transaction costs for the issue of new shares** RMB'000 *(Note 24)*	Total RMB'000
At 1 January 2022	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 a subsidiary *(Note 42)*	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
Financing cash flows	(52,863)	457,953	150,000	(2,753)	552,337
Non-cash transactions:					
– Finance costs	3,208	45,900	2,791	–	51,899
– New lease entered	25,076	–	–	–	25,076
– Termination of leases	(12,288)	–	–	–	(12,288)
– Others	–	–	–	(145)	(145)
At 31 December 2023	**53,382**	**1,735,185**	**152,791**	**–**	**1,941,358**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

42. 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 2023

42. 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.

43. 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 RMB25,076,000 and RMB25,076,000 (2022: RMB86,754,000 and RMB86,754,000) 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 RMB11,704,000 and RMB12,288,000 (2022: RMB76,779,000 and RMB84,888,000), respectively. Upon termination of leases, a gain on termination of leases of RMB584,000 (2022: RMB8,109,000) are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	**689,518**	296,922
Right-of-use assets	**118,630**	126,906
Investments in subsidiaries	**3,984,052**	3,818,553
Intangible assets	**75,571**	35,640
Interests in joint ventures	**74,656**	29,904
Interests in associates	**173,026**	398,235
Other assets, prepayments and other receivables	**3,632**	192,900
Amounts due from subsidiaries	**1,964,466**	1,455,789
Other financial assets	**701,528**	835,768
	7,785,079	7,190,617
Current assets		
Inventories	**99,340**	57,653
Trade receivables	**379,420**	232,233
Other assets, prepayments and other receivables	**516,446**	271,711
Amounts due from subsidiaries	**1,086,692**	522,196
Restricted bank deposits	**500**	29,515
Bank balances and cash	**3,038,536**	4,715,959
	5,120,934	5,829,267
Current liabilities		
Trade and other payables	**1,344,154**	1,093,786
Income tax payable	**18,017**	–
Amounts due to subsidiaries	**2,160,990**	1,562,153
Borrowings	**79,340**	–
Deferred income	**2,400**	–
Contract liabilities	**144,744**	–
Lease liabilities	**18,915**	23,408
	3,768,560	2,679,347
Net current assets	**1,352,374**	3,149,920
Total assets less current liabilities	**9,137,453**	10,340,537

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current liabilities		
Borrowings	**141,734**	69,722
Deferred income	**3,580**	8,620
Lease liabilities	**6,232**	11,929
	151,546	90,271
Net assets	**8,985,907**	10,250,266
Capital and reserves		
Share capital	**985,690**	982,872
Treasury share	**(26,891)**	–
Reserves	**8,027,108**	9,267,394
Total equity	**8,985,907**	10,250,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

44. 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 2022	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
Loss for the year	–	–	–	–	(1,333,986)	(1,333,986)
Other comprehensive expense for the year	–	–	–	(83,871)	–	(83,871)
Total comprehensive expense for the year	–	–	–	(83,871)	(1,333,986)	(1,417,857)
Recognition of equity-settled share-based payment expenses – RSU	–	23,977	–	–	–	23,977
Exercise of RSUs	190,532	(36,938)	–	–	–	153,594
Lapse of RSUs	74,330	(74,330)	–	–	–	–
At 31 December 2023	**14,783,741**	**87,862**	**–**	**(180,535)**	**(6,663,960)**	**8,027,108**

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
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)
ALK	anaplastic lymphoma kinase
AGM	annual general meeting of the Company
Angel Investors	four angel investors, all of whom are third parties independent of the Company and its connected persons
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
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
Capital Increase Agreement	the capital increase agreement entered into by the JV Company, Dr. Feng, Shanghai Lingke Yixin, Shanghai Anling Xixu and the Angel Investors on 8 September 2023 in respect of the increase of registered capital of the JV Company to RMB1,481,180 and the subscription of new registered capital of the JV Company by the Angel Investors in an aggregated amount of RMB547,847 at the total consideration of US$23,479,181 or the equivalent RMB amount

DEFINITIONS

CG Code	Corporate Governance Code in Appendix C1 of the Listing Rules
cHL	classic Hodgkin lymphoma
Coherus	Coherus BioSciences, Inc.
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 pandemic
DCR	disease control rate
Director(s)	director(s) of the Company
Dr. Feng	Dr. Feng Hui, being a non-executive Director
Dr. Reddy's	Dr. Reddy's Laboratories Limited
EFS	event-free survival
EGFR	epidermal growth factor receptor
EMA	European Medicines Agency
ESCC	esophageal squamous cell carcinoma
ESG	environmental, social and governance
ES-SCLC	extensive-stage small cell lung cancer
Excellmab	Excellmab Pte. Ltd.
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
Group	the Company and its subsidiaries

DEFINITIONS

Hikma	Hikma MENA FZE
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
HSA	Singapore Health Sciences Authority
IDMC	Independent Data Monitoring Committee
IFRS	International Financial Reporting Standards
IND	Investigational New Drug
Independent Non-executive Director(s)	independent non-executive directors of the Company
Joint Venture Agreement	the joint venture agreement dated 8 September 2023 and entered into by the Company, Junshi Biotechnology, Suzhou Junmeng, Dr. Feng and the JV 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 wholly-owned subsidiary of the Company

DEFINITIONS

JV Company	Shanghai Anlingke Biopharmaceutical Co., Ltd.* (上海安領科生物醫藥有限公司), a company established in the PRC with limited liability, the shareholders of which shall include the Company, Dr. Feng, the Angel Investors, Shanghai Anling Xixu, Shanghai Lingke Yixin upon the completion of the transactions contemplated under the Joint Venture Agreement and the Capital Increase Agreement
LDL-C	low-density lipoprotein cholesterol
Lingang Production Base	the production base of Shanghai Junshi Biotechnology Co., Ltd. in Lingang, Shanghai
LS-SCLC	limited-stage small cell lung cancer
MAA	marketing authorization application
Mabwell Bio	Mabwell (Shanghai) Bioscience Co., Ltd.* (邁威(上海)生物科技股份有限公司)
MHRA	Medicines and Healthcare products Regulatory Agency
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 of the Listing Rules
mRNA	messenger RNA
NCE	new chemical entity
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 (Year 2023)* (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2023版)》)
NSCLC	non-small cell lung cancer

DEFINITIONS

ORR	objective response rate
OS	overall survival
Over-allotment Option	as defined in the Prospectus
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
Prospectus	the prospectus of the Company dated 11 December 2018
PASI	Psoriasis Area and Severity Index
R&D	research and development
RCC	renal cell carcinoma
RdRp	RNA-dependent RNA polymeras
Remuneration and Appraisal Committee	the remuneration and appraisal committee of the Company
Reporting Period	the year ended 31 December 2023
Restricted Share(s)	A Share(s) to be granted by the Company to participants on such conditions stipulated under the 2020 Restricted A Share Incentive Scheme, which are subject to the attribution conditions stipulated under the 2020 Restricted A Share Incentive Scheme and can only be attributed and transferred after satisfaction of the attribution conditions
RMB	Renminbi
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

DEFINITIONS

Shanghai Anling Xixu	Shanghai Anling Xixu Biopharmaceutical Technology Partnership (Limited Partnership)* (上海安領西旭生物醫藥科技合夥企業(有限合夥)), a limited partnership established in the PRC
Shanghai Lingke Yixin	Shanghai Lingke Yixin Biopharmaceutical Technology Partnership (Limited Partnership)* (上海領科屹鑫生物醫藥科技合夥企業(有限合夥)), a limited partnership established in the PRC
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
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
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 Biosciences Co., Ltd.* (蘇州君盟生物醫藥科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
Suzhou 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

DEFINITIONS

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
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
TGA	Therapeutic Goods Administration of the Australian Government Department of Health and Aged Care
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)
%	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*