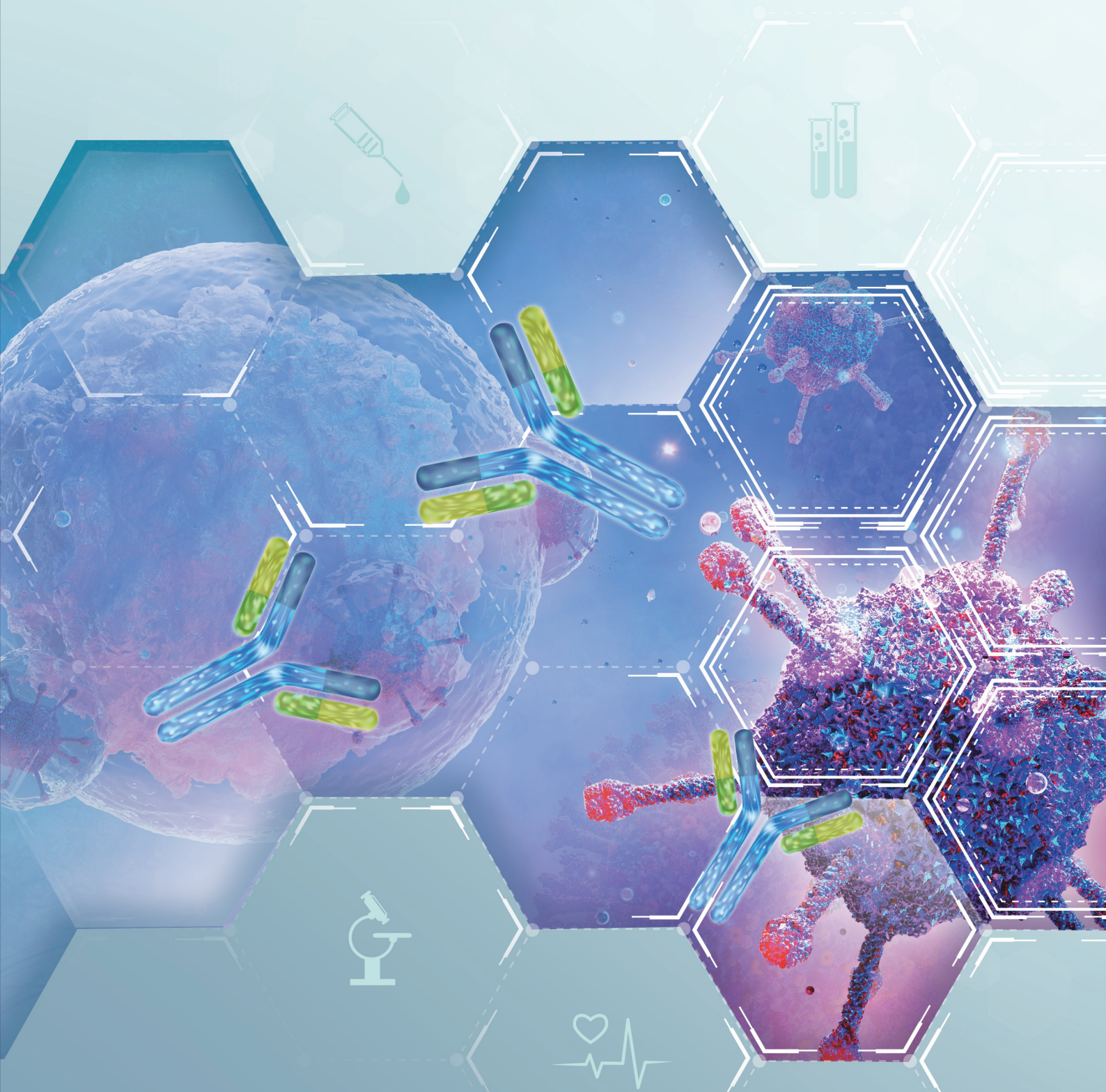
君实生物
TopAlliance

# 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 INTERIM REPORT



* For identification purpose only

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# CORPORATE INFORMATION

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

## NON-EXECUTIVE DIRECTORS
Mr. Tang Yi
Dr. Wu Hai[1]

## INDEPENDENT NON-EXECUTIVE DIRECTORS
Dr. Roy Steven Herbst
Mr. Qian Zhi
Mr. Zhang Chun
Dr. Feng Xiaoyuan
Dr. Meng Anming[2]
Dr. Chen Lieping[3]

## 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[2]
Dr. Chen Lieping[3]

## JOINT COMPANY SECRETARIES
Ms. Chen Yingge
Ms. Lai Siu Kuen

## AUTHORIZED REPRESENTATIVES
Ms. Chen Yingge
Ms. Lai Siu Kuen

## 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

## 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

# CORPORATE INFORMATION

## 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)

## 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] Resigned on 30 August 2023
[2] Appointed on 30 June 2023
[3] Resignation effective from 30 June 2023

# HIGHLIGHTS

## FINANCIAL HIGHLIGHTS

- As at 30 June 2023, total revenue of the Group was approximately RMB670 million for the Reporting Period, representing a decrease of approximately 29% compared to the corresponding period in 2022, which was mainly due to the decrease of income related to out-licensing from overseas. During the Reporting Period, the Group's revenue from pharmaceutical products increased significantly, in particular: the sales revenue of TUOYI® (toripalimab) was approximately RMB447 million, representing an increase of approximately 50% compared to the corresponding period in 2022; the sales revenue of MINDEWEI (民得維®), a newly launched product, was approximately RMB110 million during the Reporting Period.

- Total R&D expenses of the Group were approximately RMB949 million for the Reporting Period, representing a decrease of approximately 11% 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 RMB996 million for the Reporting Period, representing an increase of RMB85 million compared to the corresponding period in 2022.

## 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. As of the date of this report, 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 pre-clinical drug development stage.

  – In January 2023, the marketing of MINDEWEI (Deuremidevir Hydrobromide Tablets, 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.

# HIGHLIGHTS

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

- In March 2023, the IND application for JS010 (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 monotherapy as consolidation therapy after adjuvant therapy for the treatment of resectable stage III NSCLC was accepted by the NMPA.

- 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.

- 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 2023 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 LS-SCLC without disease progression following chemo-radiotherapy was approved by the FDA and the NMPA, respectively.

- In June 2023, the IND application for JS207 (a recombinant humanized anti-PD-1/VEGF bispecific antibody) 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.

# HIGHLIGHTS

- External collaborations

  – In March 2023, we entered into a shareholders agreement (the "**Shareholders Agreement**") with Rxilient Biotech and its wholly-owned subsidiary, Excellmab. We will subscribe for the newly issued shares of Excellmab by payment in kind to obtain 40% equity interest in Excellmab. Subject to the fulfillment of the conditions precedent as agreed under the Shareholders Agreement, we will substantially perform our capital contribution obligations, and intend to enter into 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 may elect to expand the scope of the license to cover Australia, New Zealand and nine other countries.

- Business operations

  – In June 2023, the resolutions in relation to the proposed issuance of GDR and application for the admission on the SIX Swiss Exchange were passed by the shareholders of the Company at the 2022 annual general meeting. The gross proceeds are expected to be no more than approximately RMB3.4 billion, which are proposed to be used for R&D projects of innovative drugs, the construction project of Junshi Biotech Industrialization Base and replenishment of liquidity.

  – In June 2023, Dr. Meng Anming was appointed as an independent non-executive Director. Dr. Meng Anming 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. He is currently a professor at the School of Life Sciences, Tsinghua University.

# HIGHLIGHTS

**IFRS**

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2023** | 2022 | Changes |
| | **RMB'000** | RMB'000 | % |
| | **(Unaudited)** | (Unaudited) | |
| **Operating results** | | | |
| Revenue | **669,703** | 946,049 | (29) |
| Gross Profit | **381,190** | 625,577 | (39) |
| Research and development expenses | **(948,599)** | (1,062,242) | (11) |
| Selling and distribution expenses | **(373,126)** | (307,388) | 21 |
| Administrative expenses | **(241,972)** | (295,292) | (18) |
| Loss for the period | **(1,125,338)** | (998,360) | 13 |
| Total comprehensive expense for the period | **(1,163,516)** | (1,101,333) | 6 |
| **Loss per share** | | | |
| – Basic (RMB yuan) | **(1.01)** | (1.00) | 1 |
| – Diluted (RMB yuan) | **(1.01)** | (1.00) | 1 |

| | **As at 30 June 2023** | As at 31 December 2022 | Changes |
|---|---|---|---|
| | **RMB'000** | RMB'000 | % |
| | **(Unaudited)** | (Audited) | |
| **Financial position** | | | |
| Non-current assets | **5,386,330** | 5,371,381 | – |
| Current assets | **6,411,927** | 7,204,905 | (11) |
| Total assets | **11,798,257** | 12,576,286 | (6) |
| Non-current liabilities | **1,125,830** | 1,007,782 | 12 |
| Current liabilities | **1,868,136** | 1,774,254 | 5 |
| Total liabilities | **2,993,966** | 2,782,036 | 8 |
| Net assets | **8,804,291** | 9,794,250 | (10) |

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

We are an innovation-driven biopharmaceutical company with all-round capabilities in innovative drug discovery and development, clinical research on a global scale, large-scale production capacity to commercialization on the full industry chain. Aiming to develop first-in-class or best-in-class drugs 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®)), was the first domestic anti-PD-1 monoclonal antibody approved to be marketed in China by the NMPA, with six indications approved in China. Its marketing applications in the United States, the United Kingdom and the European Union have been accepted. Tifcemalimab, being independently developed by us, was the world's first-in-human anti-tumor anti-BTLA monoclonal antibody and has obtained approvals on conducting phase III clinical study from the FDA and the NMPA, respectively. 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 Deuremidevir Hydrobromide Tablets (VV116/JT001, trade name: MINDEWEI), an oral nucleoside analog anti-SARS-CoV-2 drug. We contributed 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 business operations, external cooperation, industry chain expansion, talent reserve as well as the development of drug candidates of the Company, which are summarized as follows:

# MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Reporting Period, the revenue from sales of commercialized pharmaceutical products amounted to RMB625 million, representing a year-on-year increase of 103%, which included the revenue from sales of TUOYI® of RMB447 million, representing a year-on-year increase of 50%, the revenue from sales of MINDEWEI of RMB110 million, and the revenue from sales of JUNMAIKANG of RMB68 million. 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 4,000 medical institutions and about 2,000 specialty pharmacies and community pharmacies nationwide. The three indications of TUOYI® that have been included in the NRDL comprise second-line treatment of melanoma, third-line treatment of NPC and second-line treatment of UC. While the other three approved indications, including first-line treatment of ESCC, first-line treatment of NPC and first-line treatment of NSCLC, have not been included in the NRDL, supplementary reimbursement is possible under most commercial insurance of cities across China, providing patients with multi-level medical protection, thus reducing the burden on patients and benefiting more patients. Since 2022, 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 obtained a conditional approval from the NMPA in January 2023 and was included in the scope of provisional medical insurance reimbursement, and continued to be included in the scope of provisional medical insurance reimbursement after readjustment of its price on 1 April 2023. As at the end of the Reporting Period, MINDEWEI has been used in more than 2,200 hospitals, including community healthcare service centers, secondary hospitals and tertiary hospitals, covering all provinces in China. Affected by the development of the pandemic, the sales volume of MINDEWEI increased significantly in the second quarter of 2023. We will continue to expand the hospital coverage of MINDEWEI, and further improve the accessibility of MINDEWEI with the combination of the coverage of sales force in existing hospitals and the new investment promotion model.

- JUNMAIKANG: Under the continuous promotion of our commercialization partners, during the Reporting Period, JUNMAIKANG achieved sales revenue of RMB68 million, and completed the tendering process on the procurement platform as well as healthcare and insurance connection in 25 provinces as at the end of the Reporting Period. In 2023, with acceptance of its use by an addition of 67 hospitals, JUNMAIKANG has been used in a total of 172 hospitals, covering 955 pharmacies.

# MANAGEMENT DISCUSSION AND ANALYSIS

**Submitted the application for the tenth indication of TUOYI® in China, made sound progress in overseas applications, and accelerated the R&D work of late-stage drug candidates**

At present, the NMPA has approved six indications of TUOYI®. From the beginning of the Reporting Period to the date of this report, TUOYI® continued to expand its new indications, with four sNDAs being accepted by the NMPA:

– 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.

– 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 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.

With regard to progress overseas, the FDA has completed the on-site inspection of our domestic production base, and the marketing application of toripalimab in the United States has been making sound progress. In addition, the MAAs 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 were accepted by the EMA and the MHRA.

The R&D work of various late-stage drug candidates has also been accelerated. In April 2023, the NDA for ongericimab was accepted by the NMPA. We have completed Phase III clinical studies in patients with primary hypercholesterolemia and mixed hyperlipidemia, and Phase II clinical studies in patients with homozygous familial hypercholesterolemia. The enrollment of patients for Phase III clinical studies of heterozygous familial hypercholesterolemia has been completed.

# MANAGEMENT DISCUSSION AND ANALYSIS

In June 2023 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 (code: TAB004/JS004) 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, we will initiate the phase III clinical study in the near future. 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. 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 DoR was 6.9 months (95% CI: 1.4-6.9), of which three patients (15.0%) had a DoR of more than 6 months; the median PFS was 5.5 months (95% CI: 1.4-6.4).

For our recombinant humanized anti-IL-17A monoclonal antibody (code: JS005), we conducted Phase III registrational clinical study for moderate to severe plaque psoriasis. We started the communication for registrational clinical trials for ankylosing spondylitis. The Phase II clinical studies for moderate to severe plaque psoriasis and ankylosing spondylitis have been completed.

### Actively explored emerging markets

As of the date of this report, we have been cooperating on the commercialization of toripalimab with overseas partners including Coherus, Hikma, Dr. Reddy's and Rxilient Biotech in over 50 countries, covering the Americas, the Middle East, North Africa, Southeast Asia and other regions, and laying a solid foundation for cooperation for the global layout of toripalimab.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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 may elect to expand the scope of the license to cover Australia, New Zealand and nine other countries.

### Business expansion supported by commercialization capacity

We have two production bases. Wujiang production base in Suzhou has been granted with GMP certification and has a fermentation capacity of 4,500L (9*500L). Shanghai Lingang production base was constructed in accordance with the CGMP standard and has a production capacity of 42,000L (21*2,000L). The NMPA granted 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.

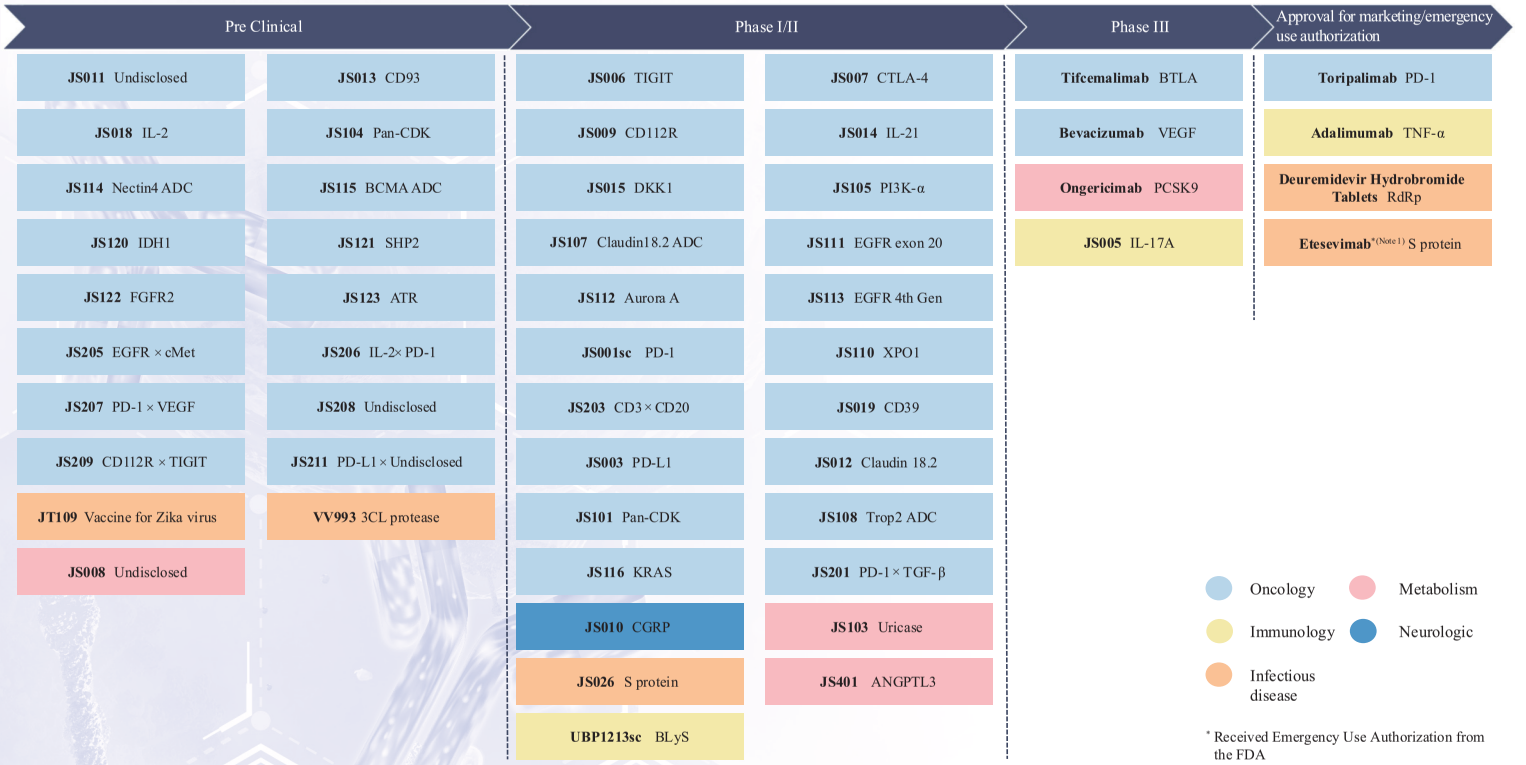
### Retained and expanded talent pool

As of the end of the Reporting Period, the Group's number of employees was 2,772, among which 854 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 pipeline

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 pre-clinical drug development stage.

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




*Note 1:* Etesevimab is expected to no longer generate revenue.

*Note 2:* In August 2023, the Company conducted friendly negotiations with IMPACT Therapeutics. Based on the Company's commercial considerations, both parties have agreed to terminate their cooperation on Shanghai Junpai Yingshi Bio Pharmaceutical Co., Ltd. * (上海君派英實藥業有限公司) (the "**JV Company**") and the PARP inhibitor senaparib (code: JS109/IMP4297). Pursuant to the terms of the agreement, the Company will transfer its 50% equity interest in the JV Company to IMPACT Therapeutics, and IMPACT Therapeutics will pay the corresponding share purchase price to the Company.

# R&D Progress of Toripalimab

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

FTD: Fast Track Designation
ODD: Orphan-Drug Designation
PR: Priority Review

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Our Core Products

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

- Milestones and achievements of commercialization

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

# MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, TUOYI® achieved sales revenue of RMB447 million. As of the end of the Reporting Period, TUOYI® has been sold in more than 4,000 medical institutions and about 2,000 specialty pharmacies and community pharmacies nationwide. The three indications of TUOYI® that have been included in the NRDL are second-line treatment of melanoma, third-line treatment of NPC and second-line treatment of UC. Even though the other three approved indications, including first-line treatment of ESCC, first-line treatment of NPC and first-line treatment of NSCLC, have not been included in the NRDL, supplementary reimbursement is possible under commercial insurance in most of the cities across the country, providing patients with multi-level medical protection, thus reducing the burden on patients and benefiting more patients. Since 2022, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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.

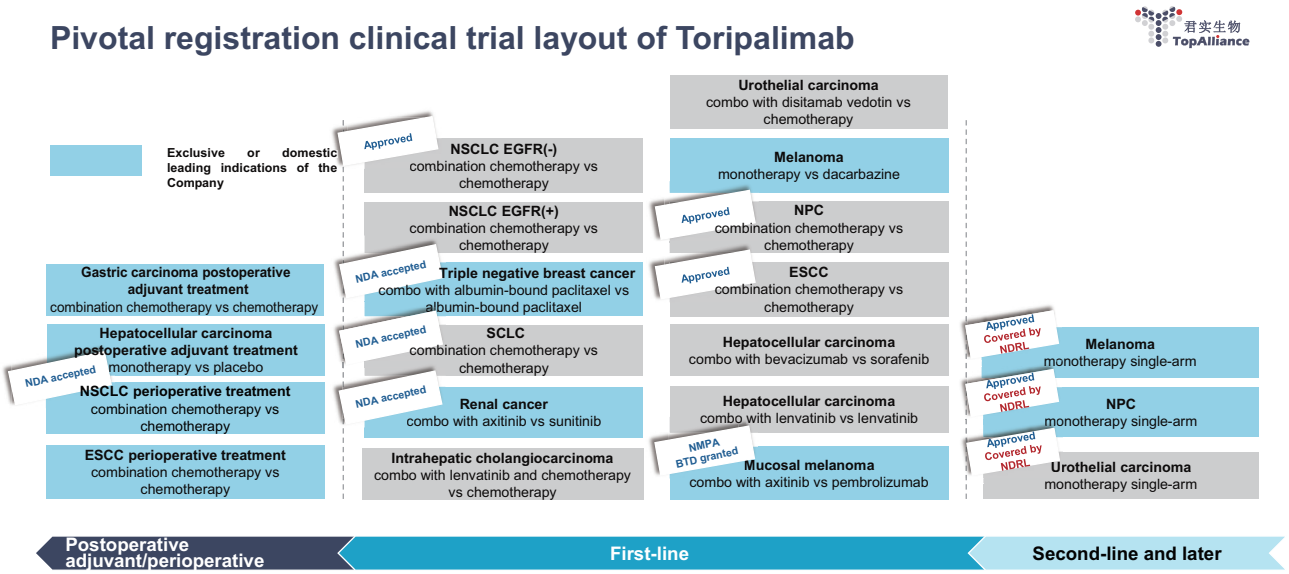
- In February 2023, a randomized, double-blind, placebo-controlled, multi-center phase III clinical study (TORCHLIGHT study, NCT04085276) of TUOYI® in combination with paclitaxel for injection (albumin-bound) in patients with initial diagnosis of stage IV or recurrent metastatic triple-negative breast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

# MANAGEMENT DISCUSSION AND ANALYSIS




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.

- In May 2023, the FDA completed the Pre-License Inspection (PLI) on our production bases in respect of our Biologics License Application (BLA) for toripalimab in combination with gemcitabine and cisplatin for the first-line treatment of patients with advanced recurrent or metastatic NPC and toripalimab monotherapy for the second-line or later treatment of recurrent or metastatic NPC after platinum-containing chemotherapy.

# MANAGEMENT DISCUSSION AND ANALYSIS

- 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.

– 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 Immuno-oncology 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).

# MANAGEMENT DISCUSSION AND ANALYSIS

- **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.

- **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 the *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 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

***MINDEWEI (民得維®) (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.

# MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, MINDEWEI achieved sales revenue of RMB110 million. MINDEWEI has been included in the scope of provisional medical insurance reimbursement since January 2023, and continued to be included in the scope of provisional medical insurance reimbursement after re-adjusting its price on 1 April 2023. As of the end of the Reporting Period, MINDEWEI has been used in more than 2,200 hospitals, including community healthcare service centers, secondary hospitals and tertiary hospitals, covering all provinces in the territory. Affected by the development of the pandemic, the sales volume of MINDEWEI increased significantly in the second quarter of 2023. We will continue to expand the hospital coverage of MINDEWEI, and further improve the accessibility of MINDEWEI with the combination of the coverage of sales force in existing hospitals and the new investment promotion model.


***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 was allowed to enter phase III clinical study 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. 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 objective response rate (ORR) of tifcemalimab in combination with toripalimab was 40.0% (95%CI: 19.1-63.9); the disease control rate (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 progression-free survival (PFS) was 5.5 months (95%CI: 1.4-6.4).

# MANAGEMENT DISCUSSION AND ANALYSIS

In June 2023 and August 2023, each of the FDA and the NMPA agreed that a randomized, double-blind, placebo-controlled, multi-regional phase III clinical study of tifcemalimab in combination with toripalimab as consolidation therapy in patients with LS-SCLC without disease progression following chemo-radiotherapy may proceed. This study is the first confirmatory study of anti-BTLA monoclonal antibody, and will be led by academician Yu Jinming (于金明), being the president of 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 principal investigator. It plans to enroll 756 patients in China, the United States, Europe and other places.

### 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, during the Reporting Period, JUNMAIKANG achieved sales revenue of RMB68 million, and completed the tendering process on the procurement platform as well as healthcare and insurance connection in 25 provinces as at the end of the Reporting Period. In 2023, with acceptance by an additional of 67 hospitals on its use, JUNMAIKANG has been used in a total of 172 hospitals, covering 955 pharmacies.

# MANAGEMENT DISCUSSION AND ANALYSIS

***Ongericimab (code: JS002)***

Ongericimab is a recombinant humanized anti-PCSK9 monoclonal antibody independently developed by us. We have completed Phase III clinical studies in patients with primary hypercholesterolemia and mixed hyperlipidemia, and Phase II clinical studies in patients with homozygous familial hypercholesterolemia. The enrollment of patients for Phase III clinical studies of heterozygous familial hypercholesterolemia has been completed.

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.

***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 II clinical studies of JS005 for moderate to severe plaque psoriasis and ankylosing spondylitis have been completed. We have conducted Phase III registrational clinical study for moderate to severe plaque psoriasis, and started the communication for registrational clinical trials for ankylosing spondylitis.

## 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 June 2023, the IND application for JS207 was accepted by the NMPA.

# MANAGEMENT DISCUSSION AND ANALYSIS

***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.

***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 pre-clinical 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. Pre-clinical 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 no similar target product has been approved for marketing in China. In March 2023, the IND application for JS010 was approved by the NMPA.

## FUTURE AND PROSPECTS

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### 1. Revenue

As at 30 June 2023, total revenue reached approximately RMB670 million, representing a decrease of approximately 29% compared to the corresponding period in 2022, which includes revenue from pharmaceutical products of approximately RMB641 million, increased by approximately 108% 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 approval of MINDEWEI at the beginning of the Reporting Period. During the Reporting Period, the sales revenue of TUOYI® was approximately RMB447 million, representing an increase of approximately 50% compared to the corresponding period in 2022. The sales revenue of JUNMAIKANG was approximately RMB68 million and the sales revenue of MINDEWEI was approximately RMB110 million.

### 2. R&D Expenses

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 RMB949 million, which decreased by approximately RMB113 million as compared to the corresponding period in 2022, representing a decrease of approximately 11%. R&D expenses included clinical research and technical service expenses of approximately RMB620 million, staff salary and welfare expenses of approximately RMB231 million, depreciation and amortization expenses of approximately RMB64 million, share-based payment expenses of approximately RMB9 million and other operating expenses of approximately RMB25 million. In particular, clinical research and technical service expenses and share-based payment expenses decreased by approximately 17% and 69%, while staff salary and welfare expenses, depreciation and amortization expenses and other operating expenses increased by approximately 6%, 25% and 22% 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 RMB373 million, which increased by approximately RMB66 million as compared to the corresponding period in 2022, representing an increase of approximately 21%. Selling and distribution expenses included staff salary and welfare expenses of approximately RMB204 million, expenses for marketing and promotion activities of approximately RMB149 million, share-based payment expenses of approximately RMB1 million and other operating expenses of approximately RMB19 million. In particular, staff salary and welfare expenses, expenses for marketing and promotion activities and other operating expenses increased by approximately 10%, 43% and 41% respectively, while share-based payment expenses decreased by approximately 76% 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 the newly launched MINDEWEI and new indications for TUOYI®, 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, office administration expenses, depreciation and amortization expenses, share-based payment expenses and other miscellaneous expenses.

During the Reporting Period, administrative expenses amounted to approximately RMB242 million, which decreased by approximately RMB53 million as compared to the corresponding period in 2022, representing a decrease of approximately 18%. Administrative expenses included: administrative staff cost of approximately RMB106 million, depreciation and amortization expenses of approximately RMB56 million, office administration expenses of approximately RMB49 million, share-based payment expenses of approximately RMB5 million and other miscellaneous expenses of approximately RMB26 million. In particular, administrative staff cost, depreciation and amortization expenses, share-based payment expenses and other miscellaneous expenses decreased by approximately 21%, 13%, 70% and 30% respectively, while office administration expenses increased by approximately 9% 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 5. Liquidity and Capital Resources

As at 30 June 2023, bank balances and cash decreased to approximately RMB4,854 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 RMB1,228 million from operating activities and net cash outflow of approximately RMB160 million from investing activities, which was partially offset by net cash inflow of approximately RMB220 million from financing activities.

## 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), 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 six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| IFRS total comprehensive expense for the period | **(1,163,516)** | (1,101,333) |
| Add: | | |
| Share-based payment expenses | **16,659** | 52,454 |
| Net exchange gains | **(2,068)** | (30,002) |
| Adjusted total comprehensive expense for the period | **(1,148,925)** | (1,078,881) |

# MANAGEMENT DISCUSSION AND ANALYSIS

## DIVIDENDS

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

## LOSS PER SHARE

### Loss

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share | **(996,421)** | (911,329) |

### Number of shares

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **985,191,620** | 910,828,061 |

In February 2023, the Company issued 2,818,231 ordinary shares (A Shares) to eligible persons upon the exercise of restricted share units ("**RSUs**"). On 2 February 2023, the shares newly issued were registered in China Securities Depository and Clearing Corporation Limited Shanghai Branch. The weighted average number of ordinary shares for the purpose of basic earning per share for the six months ended 30 June 2023 has been adjusted for the issuance of shares upon such exercise.

The weighted average number of ordinary shares for the purpose of basic earning per share for the six months ended 30 June 2022 has been adjusted for the issuance of shares upon the exercise of share options on 24 June 2022.

The computation of diluted loss per share for the six months ended 30 June 2023 does not assume the exercise of the Company's outstanding RSUs as this would result in a decrease in loss per share.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTERESTS IN ASSOCIATES

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|
| Cost of investments in associates | **518,061** | 518,061 |
| Share of post-acquisition losses | **(142,851)** | (113,791) |
| Less: elimination of unrealised intercompany transactions | **(16,100)** | (16,100) |
| Exchange realignment | **(6,226)** | (5,037) |
| | **352,884** | 383,133 |

## OTHER FINANCIAL ASSETS

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|
| Financial assets measured at fair value through profits or loss | | |
| – Unlisted equity investments in partnership | **156,612** | 156,235 |
| – Unlisted equity investments | **42,182** | 12,182 |
| – Investments in preference shares | **573,327** | 604,323 |
| | **772,121** | 772,740 |
| Financial asset designated as at fair value through other comprehensive income *(Note)* | **76,888** | 137,457 |
| | **849,009** | 910,197 |

*Note:* The amount represents equity investment in Coherus whose shares are listed on the National Association of Securities Dealers Automated Quotations of the United States of America. The investment is not held for trading; instead, it is held for long-term strategic purpose. The management of the Group have elected to designate these investments in equity instruments as at fair value through other comprehensive income as they believe that recognising short-term fluctuations in the investment's fair value in profit or loss would not be consistent with the Group's strategy of holding the investment for long-term purposes and realising the performance potential in the long run.

# MANAGEMENT DISCUSSION AND ANALYSIS

## TRADE RECEIVABLES

The Group allows a normal credit period of 45 to 150 days (31 December 2022: 60 days) to its trade customers.

The following is an analysis of trade receivables by age (net of allowance for credit losses) presented based on invoice dates, which approximated the revenue recognition date, at the end of the reporting period.

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|
| 0 to 30 days | **305,436** | 232,364 |
| 31 to 90 days | **96,152** | 361 |
| 91 to 150 days | **82,743** | – |
| Over 150 days | **15** | – |
| | **484,346** | 232,725 |

## TRADE AND OTHER PAYABLES

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|
| Trade payables | **318,379** | 281,600 |
| Accrued expenses in respect of | | |
| – construction cost of properties under construction | **245,694** | 133,382 |
| – research and development expenses *(Note a)* | **489,710** | 415,751 |
| – selling and distribution expenses | **49,895** | 65,783 |
| – others | **49,946** | 75,205 |
| Payables to licensor *(Note b)* | **–** | 69,097 |
| Payables to collaboration parties under collaboration agreements *(Note c)* | **10,175** | 16,639 |
| Salary and bonus payables | **138,690** | 191,903 |
| Other tax payables | **24,519** | 35,187 |
| Payable for transaction costs for the issue of new shares | **145** | 2,898 |
| Other payables | **48,436** | 50,955 |
| | **1,375,589** | 1,338,400 |

# MANAGEMENT DISCUSSION AND ANALYSIS

*Notes:*

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

(b) Amount as at 31 December 2022 represents the accrual on license income payable to a licensor at the end of the reporting period, which is repayable upon 30 days after issuance of invoice.

(c) Amounts represent payables to collaboration parties for co-development of certain pharmaceutical products.

Payment terms with suppliers are mainly with credit term of 0 to 90 days (31 December 2022: 0 to 90 days) from the time when the goods and services are received from the suppliers. The following is an aging analysis of trade payables presented based on invoice date at the end of the reporting period:

| | **As at 30 June 2023** ***RMB'000*** **(Unaudited)** | As at 31 December 2022 *RMB'000* (Audited) |
|---|---|---|
| 0 to 30 days | **229,044** | 87,591 |
| 31 to 60 days | **43,227** | 66,244 |
| 61 to 180 days | **26,808** | 72,321 |
| Over 180 days | **19,300** | 55,444 |
| | **318,379** | 281,600 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDEBTEDNESS

### Unsecured Borrowings

As at 30 June 2023, we had unsecured borrowings of RMB550 million in total from China Merchants Bank, Industrial Bank Co., Ltd., Industrial and Commercial Bank of China and China Construction Bank. The borrowings bear interest rates at approximately 2.0% per annum.

### Secured Borrowings

During the period ended 30 June 2023, we did not enter into new secured borrowing agreements. As at 30 June 2023, we had secured borrowings of RMB784 million in total from Industrial and Commercial Bank of China and Bank of Shanghai. The borrowings bear interest rates ranging from 3.5% to 3.9% 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 30 June 2023, the Group has pledged the following assets as securities for the Group's bank borrowings:

| | **At 30 June 2023** | At 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Property, plant and equipment | **652,041** | 672,430 |
| Right-of-use assets | **143,424** | 146,166 |
| | **795,465** | 818,596 |

| | | |
|---|---|---|
| The maturity profile of bank borrowings is as follows: | | |
| – within one year | **396,759** | 391,750 |
| – within a period of more than one year but not exceeding two years | **97,759** | 84,836 |
| – within a period of more than two years but not exceeding five years | **589,249** | 397,708 |
| – within a period of more than five years | **249,891** | 357,038 |
| | **1,333,658** | 1,231,332 |

All bank borrowings are denominated in RMB as at 30 June 2023 and 31 December 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTRACTUAL COMMITMENTS

### Capital and Other Commitments

As at 30 June 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 RMB1,555 million, which increased by 66% from RMB935 million as at 31 December 2022, due to the increased capital expenditure in acquisition of property, plant and equipment.

### Financing Plan

The Group planned to issue GDR and applicate for the admission on the SIX Swiss Exchange to receive no more than RMB3,400 million, so as to support the R&D projects of innovative drugs, the construction project of Junshi Biotech Industrialization Base and replenishment of liquidity. In addition, the Group expects to obtain a credit limit of RMB7,700 million to support the Group's production operations and project construction in 2023.

## GEARING RATIO

Gearing ratio is calculated using interest-bearing borrowings less bank balances and cash, divided by total equity and multiplied by 100%. As at 30 June 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 interim report, the Group does not have other significant investments, material acquisitions or disposals.

## CONTINGENT LIABILITIES

As at 30 June 2023, we did not have any material contingent liabilities.

## FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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 30 June 2023. During the Reporting Period, no Restricted Shares were granted under the 2020 Restricted A Share Incentive Scheme. As of 30 June 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 30 June 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, Chief Executive Officer and General Manager) | 16 November 2020 | 16 November 2021 – 15 November 2024 | 55.50 | 1,560,000 | 936,000 | – | 30,000 | – | – | 906,000 |
| Feng Hui (Executive Director, core technical staff) | 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 |

# MANAGEMENT DISCUSSION AND ANALYSIS

| | | | | | 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 30 June 2023 |
| 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 (Deputy General Manager) | 16 November 2020 | 16 November 2021 – 15 November 2024 | 55.50 | 270,000 | 162,000 | – | – | – | – | 162,000 |
| 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

| | | | | | 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[2] | Granted | Attributed | Lapsed | Cancelled | Number of Restricted Shares that have not been attributed as at 30 June 2023 |
| Other persons that are required to be incentivized as considered by the Board | 15 November 2021 | 15 November 2022 – 14 November 2024 | 55.50 | 7,129,000 | 4,837,700 | – | 729,535 | – | – | 4,108,165 |

*Notes:*

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

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

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

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

Movement of the Restricted Shares and the relevant share-based payment expenses for the Reporting Period are set out in note 24 to the consolidated financial statements.

Further details of the 2020 Restricted A Share Incentive Scheme, First Grant and Reserved Grant are set out in the Company's circular dated 22 October 2020, overseas regulatory announcements dated 16 November 2020, 17 November 2020, 15 November 2021, 3 November 2022, 16 November 2022 and 3 February 2023.

The number of A Shares that may be issued in respect of all schemes of the Company during the Reporting Period was 17,127,980 A Shares, representing 2.24% of the weighted average number of A Shares in issue for the Reporting Period.

# OTHER INFORMATION

## RESULTS AND DIVIDENDS

The Group's profit for the Reporting Period and the state of affairs of the Group at 30 June 2023 are set out in the condensed consolidated financial statements and the accompanying notes on pages 65 to 96.

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

## DIRECTORS AND SUPERVISORS

### Board of Directors

As at the end of the Reporting Period, the Board comprised 14 Directors, consisting of 7 executive Directors, 2 non-executive Directors, and 5 independent non-executive Directors. During the Reporting Period and up to the date of this interim report, the composition of the Board changed as follows:

**Executive Directors**

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

**Non-executive Directors**

Mr. Tang Yi
Dr. Wu Hai – *resigned on 30 August 2023*

**Independent Non-executive Directors**

Dr. Roy Steven Herbst
Mr. Qian Zhi
Mr. Zhang Chun
Dr. Feng Xiaoyuan
Dr. Meng Anming – *appointed on 30 June 2023*
Dr. Chen Lieping – *resignation effective from 30 June 2023*

# OTHER INFORMATION

## BOARD OF SUPERVISORS

As at the end of the Reporting Period, the Board of Supervisors comprised 3 Supervisors. The Supervisors were as follows:

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

### Directors' and Supervisors' Rights to Acquire Shares or Debentures

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

### Competing Interest and Other Interest

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

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

### Changes of Information of the Directors and Supervisors

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

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 of the Company 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 Wangshi Biomedical Technology Co., Ltd.* (a non-wholly owned subsidiary of the Company) | 6 June 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 |

# OTHER INFORMATION

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

As at 30 June 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 the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and 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 | A Shares | 3,657,600 (L) | 0.48% | 0.37% |
| Feng Hui | Beneficial owner[4] | A Shares | 13,652,000 (L) | 1.78% | 1.39% |
| Zhang Zhuobing | Beneficial owner/ Interest of spouse[5] | A Shares | 9,120,000 (L) | 1.19% | 0.93% |
| Yao Sheng | Beneficial owner[6] | A Shares | 1,200,000 (L) | 0.16% | 0.12% |
| Tang Yi | Beneficial owner | A Shares | 7,774,500 (L) | 1.01% | 0.79% |
| | Interest in controlled corporations [7] | A Shares | 196,643,786 (L) | 25.66% | 19.95% |
| | | H Shares | 2,600 (L) | 0.00% | 0.00% |

# OTHER INFORMATION

*Notes:*

1. The letter "L" denotes the long position in the Shares, the letter "S" denotes short position in the Shares and the letter "P"denotes lending pool. As at 30 June 2023, the Company had 985,689,871 issued Shares, comprising 766,394,171 A Shares and 219,295,700 H Shares.

2. As at 30 June 2023, Mr. Xiong directly held 87,854,018 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 30 June 2023 under the SFO.

   As at 30 June 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.

3. As at 30 June 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 30 June 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.

5. As at 30 June 2023, Mr. Zhang Zhuobing's spouse, Ms. Liu Xiaoling, directly held 8,608,000 A Shares. As at 30 June 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.

6. As at 30 June 2023, Dr. Yao Sheng was interested in 1,200,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

7. As at 30 June 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.

# OTHER INFORMATION

Save as disclosed above, as at 30 June 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

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

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

As at 30 June 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% |
| 蘇州瑞源盛本生物醫藥管理合夥企業(有限合夥)[4] | Parties acting in Concert | A Shares | 153,059,786 (L) | 19.97% | 15.53% |
| Suzhou Benyu Tianyuan Biological Technology Partnership (LP)* | Beneficial owner | A Shares | 4,600,000 (L) | 0.60% | 0.47% |
| 蘇州本裕天源生物科技合夥企業(有限合夥)[4] | Parties acting in Concert | A Shares | 192,043,786 (L) | 25.06% | 19.48% |
| 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% |

# OTHER INFORMATION

| Name of Shareholder | Nature of interests | Class of Shares | Number of Underlying Shares[1] | Approximate percentage in relevant class of Shares[2] | Approximate percentage in total share capital[2] |
|---|---|---|---|---|---|
| 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 | | 88,346,018 (L) | 11.53% | 8.96% |
| Lin Lijun[6] | Interest in controlled corporations[8] | A Shares | 78,852,000 (L) | 10.29% | 8.00% |
| | Founder of a discretionary trust who can influence how the trustee exercises his discretion[8] | H Shares | 30,659,000 (L) | 13.98% | 3.11% |
| Shanghai Tanying Investment Partnership (LP)* | Beneficial owner | A Shares | 76,590,000 (L) | 9.99% | 7.77% |
| 上海檀英投資合夥企業(有限合夥)[6] | | | | | |
| Shanghai Lejin Investment Partnership (LP)* | Interest of controlled corporation | A Shares | 76,590,000 (L) | 9.99% | 7.77% |
| 上海樂進投資合夥企業(有限合夥)[6] | | | | | |
| Shanghai Shengdao Investment Partnership (LP)* | Interest of controlled corporation | A Shares | 76,590,000 (L) | 9.99% | 7.77% |
| 上海盛道投資合夥企業(有限合夥)[6] | | | | | |
| Shanghai Zhengxingu Investment Management Co., Ltd.* | Interest of controlled corporation | A Shares | 78,852,000 (L) | 10.29% | 8.00% |
| 上海正心谷投資管理有限公司 | | | | | |
| Gong Ruilin | Interest of spouse/Interest of controlled corporation[6][8] | A Shares | 78,852,000 (L) | 10.29% | 8.00% |
| 龔瑞琳 | Interest of spouse[7][8] | H Shares | 30,659,000 (L) | 13.98% | 3.11% |
| Loyal Valley Capital Advantage Fund LP[7][9] | Beneficial owner | H Shares | 10,106,000 (L) | 4.61% | 1.03% |
| Loyal Valley Capital Advantage Fund GP Limited[7] | Interest in controlled corporation | H Shares | 10,106,000 (L) | 4.61% | 1.03% |

# OTHER INFORMATION

| Name of Shareholder | Nature of interests | Class of Shares | Number of Underlying Shares[1] | Approximate percentage in relevant class of Shares[2] | Approximate percentage in total share capital[2] |
|---|---|---|---|---|---|
| Loyal Valley Capital Advantage Fund II LP[7][9] | Beneficial owner | H Shares | 12,127,000 (L) | 5.53% | 1.23% |
| Loyal Valley Capital Advantage Fund II Limited[7] | Interest of controlled corporation | H Shares | 12,127,000 (L) | 5.53% | 1.23% |
| LVC Holdings Limited[7] | Interest of controlled corporation | H Shares | 30,659,000 (L) | 13.98% | 3.11% |
| LVC Management Holdings Limited[7] | Interest of controlled corporation | H Shares | 30,659,000 (L) | 13.98% | 3.11% |
| LVC Bytes Limited (now known as LVC Innovate Limited)[7] | Interest of controlled corporation | H Shares | 30,659,000 (L) | 13.98% | 3.11% |
| Jovial Champion Investments Limited[7] | Interest of controlled corporation | H Shares | 30,659,000 (L) | 13.98% | 3.11% |
| Vistra Trust (Singapore) Pte. Limited[7] | Trustee | H Shares | 30,659,000 (L) | 13.98% | 3.11% |
| Highbury Investment Pte Ltd[9] | Beneficial owner | H Shares | 4,654,089 (L) | 2.12% | 0.47% |
| | Interest of controlled corporation | H Shares | 12,127,000 (L) | 5.53% | 1.23% |
| GIC (Ventures) Pte. Ltd.[9] | Interest of controlled corporation | H Shares | 16,781,089 (L) | 7.65% | 1.70% |
| GIC Special Investments Private Limited[9] | Investment manager | H Shares | 16,781,089 (L) | 7.65% | 1.70% |
| GIC Private Limited[9] | Interest of controlled corporation | H Shares | 16,781,089 (L) | 7.65% | 1.70% |
| | Investment manager | H Shares | 690,000 (L) | 0.31% | 0.07% |
| Hillhouse Capital Advisors, Ltd.[10] | Investment manager | H Shares | 11,400,000 (L) | 5.20% | 1.16% |
| 綠地數字科技有限公司 | Interest of controlled corporation | H Shares | 51,386,400 (L) | 23.43% | 5.21% |
| Morgan Stanley | Interest of controlled corporation | H Shares | 10,947,946 (L) | 4.99% | 1.11% |
| | | | 12,503,584 (S) | 5.70% | 1.27% |

# OTHER INFORMATION

*Notes:*

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

2. As at 30 June 2023, the Company had 985,689,871 issued Shares, comprising 766,394,171 A Shares and 219,295,700 H Shares.

3. As at 30 June 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 30 June 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. Mr. Lin Lijun was also the general partner of Shanghai Shengdao Investment Partnership (LP)* (上海盛道投資合夥企業(有限合夥)) ("**Shanghai Shengdao**"), which was the general partner of Shanghai Lejin Investment Partnership (LP)* (上海樂進投資合夥企業(有限合夥)) ("**Shanghai Lejin**"), which in turn held 99.99% interest in Shanghai Tanying. Therefore, Mr. Lin Lijun was deemed to be interested in the Shares held by Shanghai Tanying and Shanghai Tanzheng under the SFO. Each of Shanghai Loyal Valley, Shanghai Shengdao and Shanghai Lejin was deemed to be interested in the 76,590,000 A Shares held by Shanghai Tanying under the SFO. Shanghai Loyal Valley was also deemed to be interested in the A Shares held by Shanghai Tanzheng under the SFO.

7. As at 30 June 2023, Loyal Valley Capital Advantage Fund LP ("**LVC Fund I**"), Loyal Valley Capital Advantage Fund II LP ("**LVC Fund II**") and LVC Renaissance Fund LP ("**LVC Renaissance Fund**", together with LVC Fund I, the "**LVC Funds**") directly held 10,106,000 H Shares, 12,127,000 H Shares and 8,426,000 H Shares, respectively. Loyal Valley Capital Advantage Fund GP Limited ("**LVC Fund I GP**") was the general partner of LVC Fund I was deemed to be interested in the H Shares held by it. Loyal Valley Capital Advantage Fund II Limited ("**LVC Fund II GP**") was the general partner of LVC Fund II and was deemed to be interested in the H Shares held by it. LVC Renaissance Limited ("**LVC Renaissance GP**") was the general partner of LVC Renaissance Fund and was deemed to be interested in the H Shares held by it.

# OTHER INFORMATION

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

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

Also, LVC Renaissance Fund was owned as to (i) 20.13% by Golden Valley Global Limited, which was wholly-owned by Shanghai Lehong Investment Partnership (LP)* (上海樂泓投資合夥企業(有限合夥)) ("**Shanghai Lehong**"). Shanghai Tanying (a controlled corporation of Mr. Lin Lijun) held 99.99% interest in Shanghai Lehong and Shanghai Loyal Valley (a corporation wholly-owned by Mr. Lin Lijun) was the general partner of Shanghai Lehong; and (ii) 33.28% by Loyal Valley Innovation Capital (HK) Limited, which was wholly-owned by Mr. Lin Lijun. Therefore, Mr. Lin Lijun was deemed to be interested in an aggregate of 30,659,000 H Shares held by the LVC Funds under the SFO.

8. Ms. Gong Ruilin is the spouse of Mr. Lin Lijun. As at 30 June 2023, Shanghai Tanying was a controlled corporation of both Ms. Gong Ruilin and Mr. Lin Lijun. Therefore, Ms. Gong was deemed to be interested in the 76,590,000 A Shares held by Shanghai Tanying under the SFO. In addition, Ms. Gong was also deemed to be interested in another 2,262,000 A Shares held by Mr. Lin Lijun through his other controlled corporations.

9. As at 30 June 2023, Highbury Investment Pte Ltd. ("**Highbury**") directly held 12,127,000 H Shares. Highbury also held 90.90% interest in LVC Fund II and was deemed to be interested in the 12,127,000 H Shares held by LVC Fund II. Highbury was wholly-owned by GIC (Ventures) Pte. Ltd. ("**GIC Ventures**"), which was wholly-owned by GIC Special Investments Private Limited ("**GIC SIPL**"), which was in turn wholly-owned by GIC Private Limited ("**GIC Private**"). Therefore, each of GIC Ventures, GIC SIPL and GIC Private was interested in the H Shares in which Highbury was interested under the SFO.

10. As at 30 June 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.

# OTHER INFORMATION

## RISK FACTORS

### 1. Risks related to pending profitability

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

A total of three drugs (TUOYI®, JUNMAIKANG and MINDEWEI) are being commercialized by the Company, and various drug candidates in the late stage of research and development close to commercialization. The accelerated development of more and more drug candidates as well as the successive completion of registrational clinical trials for more indications of the approved products will further improve the Company's financial position and help create conditions for 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 pre-clinical research, global clinical trials and preparation for NDAs of drug candidates and other drug development. Besides, the Company's NDA and registration works, post-launch marketing and promotion activities and other aspects will incur 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.

# OTHER INFORMATION

### 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 and adalimumab injection have been included in Category B of the NRDL, while the Deuremidevir Hydrobromide Tablets have also been included in the scope of provisional medical insurance reimbursement. The reduction in price after being included into the drug list can effectively improve the accessibility and affordability of the Company's products, which is conducive to a significant increase in product sales. However, if the increase in sales is less than expected, it may adversely affect the Company's revenue.

### 5. Finance risks

During the Reporting Period, the exchange rate risks of the Company is mainly derived from assets and liabilities held by the Company and its subsidiaries, which are denominated in foreign currencies other than the book-keeping base currency. The exchange rate risks exposed by the Company are mainly related to items denominated in HKD, USD, EUR 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.

# OTHER INFORMATION

## SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 20 to the condensed consolidated financial statements.

As at 30 June 2023, 985,689,871 Shares were in issue (comprising 766,394,171 A Shares and 219,295,700 H Shares).

## PLACING OF H SHARES UNDER GENERAL MANDATE

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 are intended to be used by the Group toward the R&D of drugs and pipeline expansion, expansion of the commercialization team, domestic and overseas investment, mergers and acquisitions, and business development, and general corporate purposes. The Board considered that the Placing was beneficial to the Company for the following reasons: (a) available funds would be brought by the net proceeds from the Placing for the Company's sustainable development to enhance the development and commercialized layout of potential first-in-class drugs in the international market, promote and accelerate the implementation of clinical trials of more first-in-class drugs in international multi-centers, and arrange and expand new-generation platforms and R&D technologies, to further improve the Company's competitiveness; and (b) it could expand the Shareholders base of the Company, optimize the shareholding structure and further attract more international renowned investment institutions with long-term strategic values through the platform of the Hong Kong Stock Exchange. For further details of the placing, please refer to the Company's announcements dated 16 June 2021 and 23 June 2021.

# OTHER INFORMATION

As at 30 June 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, and will remain subject to change based on current and future development of market conditions and actual business needs.

The following table sets out the intended use and actual usage of the net proceeds from the placing as at 30 June 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 30 June 2023** *(Approx. RMB million)* | **Unutilized proceeds as at 30 June 2023** *(Approx. RMB million)* | **Expected timeline for application of the unutilized proceeds** |
|---|---|---|---|---|---|---|
| R&D of drugs and pipeline expansion | 815 | 8 | 5 | 812 | 3 | 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 | 5 | 2,098*(Note)* | 3*(Note)* | |

*Note:*

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

# OTHER INFORMATION

## 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).

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.

## CORPORATE GOVERNANCE

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

The Company has applied the principles and code provisions as set out in the CG Code contained in Appendix 14 of the Hong Kong Listing Rules. The Board is of the view that, during the Reporting Period, the Company has complied with all code provisions as set out in the CG Code.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Hong Kong Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with each of the Directors and supervisors of the Company, they have confirmed that they had complied with such code of conduct during the Reporting Period.

# OTHER INFORMATION

## USE OF PROCEEDS

### Use of Proceeds from The STAR Market Listing

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 30 Jun 2023 *RMB'000* | Unutilized Proceeds as at 30 Jun 2023 *RMB'000* | Expected timeline for application of the unutilized proceeds |
|---|---|---|---|---|---|---|
| Research and development projects of innovative drugs | 1,200,000 | – | 11,681 | 1,211,681 | – | 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 | (208)*(Note 3)* | 1,077,979 | 726,206 | Expected to be fully utilized by 31 December 2024 |
| | 4,496,978*(Note 1)* | 751,217*(Note 2)* | 26,055*(Note 2)* | 3,814,169*(Note 1)* | 726,206*(Notes 1&2)* | |

*Notes:*

1. The difference between (i) the sum of proceeds utilized and the unutilized proceeds and (ii) the net proceeds from the issuance represents 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 30 June 2023 and (ii) unutilized proceeds as at 31 December 2022 represents foreign exchange losses and interests generated from bank saving accounts.

3. The amounts represent refunds from suppliers.

# OTHER INFORMATION

## Use of Proceeds from The Issuance of A Shares

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 30 June 2023 *(Approx. RMB million)* | Unutilized proceeds as at 30 June 2023 *(Approx. RMB million)* | Expected timeline for application of the unutilized proceeds |
|---|---|---|---|---|---|---|
| R&D projects of innovative drugs | 3,464 | 3,324 | 99 | 239 | 3,225 | Expected to be fully utilized by 31 December 2025 |
| Shanghai Junshi Biotech headquarters and R&D base project | 281 | 211 | 43 | 114 | 167 | Expected to be fully utilized by 31 December 2024 |
| | 3,745 | 3,535*(Note)* | 142*(Note)* | 353 | 3,392*(Note)* | |

*Note:*

The difference between (i) the sum of proceeds utilized during the Reporting Period and unutilized proceeds as at 30 June 2023 and (ii) unutilized proceeds as at 31 December 2022 is due to rounding.

# OTHER INFORMATION

## SUBSEQUENT EVENTS

In August 2023, the Company conducted friendly negotiations with IMPACT Therapeutics. Based on the Company's commercial considerations, both parties have agreed to terminate their cooperation on the JV Company and the PARP inhibitor senaparib (code: JS109/IMP4297). Pursuant to the terms of the agreement, the Company will transfer its 50% equity interest in the JV Company to IMPACT Therapeutics, and IMPACT Therapeutics will pay the corresponding share purchase price to the Company.

## AUDIT COMMITTEE

The Audit Committee comprises 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. 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, the accounting principles and policies adopted by the Group and the condensed consolidated financial statements for the Reporting Period.

## AUDITOR

The interim financial report for the six months ended 30 June 2023 is unaudited, but has been reviewed by Deloitte Touche Tohmatsu.

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

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

30 August 2023

* *For identification purpose only*

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of 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 58 to 96, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong

30 August 2023

* *For identification purpose only*

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

| | NOTE | For the six months ended 30 June 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
|---|---|---|---|
| Revenue | 3 | **669,703** | 946,049 |
| Cost of sales and services | | **(288,513)** | (320,472) |
| Gross profit | | **381,190** | 625,577 |
| Other income | 4 | **92,153** | 35,147 |
| Other gains and losses | 5 | **(21,183)** | 68,302 |
| Impairment losses under expected credit loss model, net of reversal | | **(1,122)** | 41 |
| Research and development expenses | | **(948,599)** | (1,062,242) |
| Selling and distribution expenses | | **(373,126)** | (307,388) |
| Administrative expenses | | **(241,972)** | (295,292) |
| Share of losses of joint ventures | | **(2,057)** | (514) |
| Share of losses of associates | | **(30,249)** | (27,735) |
| Finance costs | | **(14,548)** | (13,699) |
| Other expenses | | **(16,320)** | (11,109) |
| Loss before tax | | **(1,175,833)** | (988,912) |
| Income tax credit (expense) | 6 | **50,495** | (9,448) |
| Loss for the period | 7 | **(1,125,338)** | (998,360) |
| **Other comprehensive (expense) income for the period** | | | |
| ***Item that will not be reclassified to profit or loss:*** | | | |
| Fair value loss on financial asset designated as at fair value through other comprehensive income ("FVTOCI") | | **(60,569)** | (132,488) |
| ***Item that may be reclassified subsequently to profit or loss:*** | | | |
| Exchange differences arising on translation of foreign operations | | **22,391** | 29,515 |
| Other comprehensive expense for the period | | **(38,178)** | (102,973) |
| Total comprehensive expense for the period | | **(1,163,516)** | (1,101,333) |

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

| | NOTE | For the six months ended 30 June 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
|---|---|---|---|
| **Loss for the period attributable to:** | | | |
| – Owners of the Company | | **(996,421)** | (911,329) |
| – Non-controlling interests | | **(128,917)** | (87,031) |
| | | **(1,125,338)** | (998,360) |
| **Total comprehensive expense for the period attributable to:** | | | |
| – Owners of the Company | | **(1,034,599)** | (1,014,302) |
| – Non-controlling interests | | **(128,917)** | (87,031) |
| | | **(1,163,516)** | (1,101,333) |
| **Loss per share** | *9* | | |
| – Basic (RMB yuan) | | **(1.01)** | (1.00) |
| – Diluted (RMB yuan) | | **(1.01)** | (1.00) |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

| | NOTES | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | **3,173,614** | 2,979,327 |
| Right-of-use assets | 10 | **278,471** | 299,129 |
| Intangible assets | | **97,787** | 98,913 |
| Interests in joint ventures | 11 | **107,449** | 109,506 |
| Interests in associates | 12 | **352,884** | 383,133 |
| Deferred tax assets | 13 | **172,690** | 228,427 |
| Other assets, prepayments and other receivables | 15 | **354,426** | 362,749 |
| Other financial assets | 16 | **849,009** | 910,197 |
| | | **5,386,330** | 5,371,381 |
| **Current assets** | | | |
| Inventories | | **652,531** | 599,021 |
| Trade receivables | 14 | **484,346** | 232,725 |
| Other assets, prepayments and other receivables | 15 | **394,718** | 345,137 |
| Restricted bank deposits | 17 | **26,570** | 31,086 |
| Bank balances and cash | 17 | **4,853,762** | 5,996,936 |
| | | **6,411,927** | 7,204,905 |
| **Current liabilities** | | | |
| Trade and other payables | 18 | **1,375,589** | 1,338,400 |
| Borrowings | 19 | **396,759** | 391,750 |
| Contract liabilities | | **30,936** | – |
| Deferred income | | **21,840** | 440 |
| Lease liabilities | | **43,012** | 43,664 |
| | | **1,868,136** | 1,774,254 |
| **Net current assets** | | **4,543,791** | 5,430,651 |
| **Total assets less current liabilities** | | **9,930,121** | 10,802,032 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

| | NOTES | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Borrowings | *19* | **936,899** | 839,582 |
| Other financial liabilities | | **11,000** | – |
| Deferred income | | **147,735** | 121,615 |
| Lease liabilities | | **30,196** | 46,585 |
| | | **1,125,830** | 1,007,782 |
| **Net assets** | | **8,804,291** | 9,794,250 |
| **Capital and reserves** | | | |
| Share capital | *20* | **985,690** | 982,872 |
| Reserves | | **7,526,166** | 8,518,544 |
| Equity attributable to owners of the Company | | **8,511,856** | 9,501,416 |
| Non-controlling interests | | **292,435** | 292,834 |
| **Total equity** | | **8,804,291** | 9,794,250 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | RSUs 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 2023 (Audited) | **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 period | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(996,421)** | **(996,421)** | **(128,917)** | **(1,125,338)** |
| Exchange differences arising on translation of foreign operations | **–** | **–** | **–** | **–** | **–** | **–** | **22,391** | **–** | **22,391** | **–** | **22,391** |
| Fair value loss on financial asset designated as at FVTOCI | **–** | **–** | **–** | **–** | **–** | **(60,569)** | **–** | **–** | **(60,569)** | **–** | **(60,569)** |
| Total comprehensive (expense) income for the period | **–** | **–** | **–** | **–** | **–** | **(60,569)** | **22,391** | **(996,421)** | **(1,034,599)** | **(128,917)** | **(1,163,516)** |
| Acquisition of shares from a non-controlling interest | **–** | **–** | **–** | **–** | **(128,483)** | **–** | **–** | **–** | **(128,483)** | **128,483** | **–** |
| Exercise of RSUs | **2,818** | **190,531** | **(36,938)** | **–** | **–** | **–** | **–** | **–** | **156,411** | **–** | **156,411** |
| Recognition of equity settled share-based payment expenses – RSU | **–** | **–** | **17,111** | **–** | **–** | **–** | **–** | **–** | **17,111** | **35** | **17,146** |
| At 30 June 2023 (Unaudited) | **985,690** | **14,722,229** | **153,901** | **–** | **512,203** | **(157,233)** | **50,645** | **(7,755,579)** | **8,511,856** | **292,435** | **8,804,291** |
| At 1 January 2022 (Audited) | 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 period | – | – | – | – | – | – | – | (911,329) | (911,329) | (87,031) | (998,360) |
| Exchange differences arising on translation of foreign operations | – | – | – | – | – | – | 29,515 | – | 29,515 | – | 29,515 |
| Fair value loss on financial asset designated as at FVTOCI | – | – | – | – | – | (132,488) | – | – | (132,488) | – | (132,488) |
| Total comprehensive (expense) income for the period | – | – | – | – | – | (132,488) | 29,515 | (911,329) | (1,014,302) | (87,031) | (1,101,333) |
| Capital contribution to a subsidiary | – | – | – | – | 258,875 | – | – | – | 258,875 | 121,125 | 380,000 |
| Acquisition of shares from a non-controlling interest | – | – | – | – | (132,620) | – | – | – | (132,620) | (53,630) | (186,250) |
| Acquisition of a subsidiary | – | – | – | – | – | – | – | – | – | 49,000 | 49,000 |
| Exercise of share options | 1,845 | 34,199 | – | (19,068) | – | – | – | – | 16,976 | – | 16,976 |
| Recognition of equity settled share-based payment expenses – RSU | – | – | 55,987 | – | – | – | – | – | 55,987 | – | 55,987 |
| At 30 June 2022 (Unaudited) | 912,602 | 10,706,191 | 273,861 | – | 640,349 | (113,034) | 10,270 | (5,284,420) | 7,145,819 | 400,743 | 7,546,562 |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| NET CASH USED IN OPERATING ACTIVITIES | **(1,228,175)** | (457,498) |
| INVESTING ACTIVITIES | | |
| Interest received | **60,831** | 23,752 |
| Payments for property, plant and equipment | **(201,017)** | (143,360) |
| Proceeds from disposal of property, plant and equipment | **22** | 1 |
| Payments for rental deposits | **(247)** | (1,181) |
| Refund of rental deposits | **787** | 1,301 |
| Acquisition of other financial assets | **(1,230,000)** | (99,484) |
| Disposal of other financial assets | **1,202,853** | 91,245 |
| Payments for intangible assets | **(414)** | (8,099) |
| Placement of restricted bank deposits | **(26,570)** | – |
| Withdrawal of restricted bank deposits | **31,086** | 459 |
| Repayment from a joint operation | **1,953** | 3,170 |
| Advance to a joint operation | **–** | (3,900) |
| Capital injection in interest in associates | **–** | (1,000) |
| Net cash inflow on acquisition of a subsidiary | **–** | 2,220 |
| Acquisition of interest in joint ventures | **–** | (95,000) |
| Receipt of government grants related to property, plant and equipment | **500** | – |
| NET CASH USED IN INVESTING ACTIVITIES | **(160,216)** | (229,876) |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| FINANCING ACTIVITIES | | |
| Payments for transaction costs for the issuance of shares | **(2,753)** | (612) |
| Repayments for lease liabilities | **(23,785)** | (17,211) |
| Proceeds from borrowings | **214,726** | 420,111 |
| Repayments of borrowings | **(116,669)** | (5,000) |
| Interest paid | **(17,998)** | (13,705) |
| Proceeds from exercise of share options | **–** | 16,976 |
| Proceeds from exercise of RSUs | **152,595** | – |
| Capital contribution to subsidiaries by non-controlling interests | **3,000** | 380,000 |
| Proceeds from other partners of investment fund consolidated | **11,000** | – |
| Payment for acquisition of non-controlling interests | **–** | (186,250) |
| Placement of restricted bank deposits | **–** | (59,513) |
| NET CASH FROM FINANCING ACTIVITIES | **220,116** | 534,796 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | **(1,168,275)** | (152,578) |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | **5,996,936** | 3,504,605 |
| Effect of foreign exchange rate changes | **25,101** | 55,032 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE, REPRESENTED BY BANK BALANCES AND CASH | **4,853,762** | 3,407,059 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 1. GENERAL AND BASIS OF PREPARATION

Shanghai Junshi Biosciences Co., Ltd.* 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 (stock code: 1877). The domestic shares of the Company were delisted from NEEQ since 8 May 2020 and were converted into A shares and listed on the STAR Market of the Shanghai Stock Exchange on 15 July 2020 (stock code: 688180). The respective addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the interim report.

The principal activities of the Company and its subsidiaries are mainly discovery, development and commercialisation of innovative drugs.

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

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

The directors of the Company have, at the time of approving the condensed 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 condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional/change in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), and application of certain accounting policy which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

### Application of new and amendments to IFRSs

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed 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 |

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

#### *2.1.1 Accounting policies*

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 in a 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.

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

#### *2.1.2 Transition and summary of effects*

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the IAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. 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 recognised the related deferred tax assets of RMB21,956,000 and deferred tax liabilities of RMB21,956,000 on a gross basis 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

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 shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

The Group is yet to apply the temporary exception during the current interim period 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 in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

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

In addition, the Group will apply Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies* which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2023.

IAS 1 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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 in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending 31 December 2023.

### Accounting policy newly applied by the Group in the current interim period

***Basis of consolidation***

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 3. 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:

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Timing of revenue recognition** | | |
| *At a point in time* | | |
| Sale of pharmaceutical products | **641,292** | 308,254 |
| Licensing income | **–** | 476,474 |
| | **641,292** | 784,728 |
| *Over time* | | |
| Service income | **28,411** | 161,321 |
| | **669,703** | 946,049 |

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

During the period ended 30 June 2022, the Group recognised an option exercise payment from Coherus BioSciences, Inc. ("Coherus") of USD35,000,000 (equivalent to RMB221,508,000) as licensing income at a point in time when Coherus has the ability to use the license upon exercise of option.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### Geographical information

The Group's operations are located in the PRC and the United States of America (the "USA").

Information about the Group's revenue from external customers is presented based on the operating location of customers.

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| The PRC | **630,937** | 308,672 |
| The USA | **38,766** | 637,377 |
| | **669,703** | 946,049 |

## 4. OTHER INCOME

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Bank interest income | **55,027** | 26,908 |
| Government grants related to property, plant and equipment *(Note a)* | **1,080** | 726 |
| Other subsidies *(Note b)* | **36,046** | 7,513 |
| | **92,153** | 35,147 |

*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 mainly represent subsidies from PRC government for research and development activities, which are recognised as income upon meeting specific conditions and incentives which have no specific conditions attached to the grants.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 5. OTHER GAINS AND LOSSES

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Fair value change of other financial assets measured at fair value through profits or loss ("FVTPL"), net | **(23,532)** | (22,674) |
| Exchange gains, net | **2,068** | 30,002 |
| Loss on disposal of property, plant and equipment | **(324)** | (80) |
| Other gain *(Note a)* | **–** | 32,200 |
| Gain on deemed disposal of an associate *(Note b)* | **–** | 28,847 |
| Others | **605** | 7 |
| | **(21,183)** | 68,302 |

*Notes:*

(a) During the period ended 30 June 2022, the Group transferred in-process research and development 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, and recognised a gain of RMB32,200,000.

(b) During the period ended 30 June 2022, the Company injected capital to an associate Suzhou Junjing Biosciences Co., Ltd.* 蘇州君境生物醫藥科技有限公司 ("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 with majority shareholding. The acquisition has been accounted for as acquisition of business using the acquisition method, resulting in a gain of RMB28,847,000.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 6. INCOME TAX (CREDIT) EXPENSE

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Current tax | | |
| United States Corporate Income Tax ("CIT") | **(106,231)** | 46,770 |
| Deferred tax | **55,736** | (37,322) |
| | **(50,495)** | 9,448 |

Under the law of the PRC Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the basic tax rate of the Company and its PRC subsidiaries is 25% for both periods. The Company and certain PRC subsidiaries of the Group were accredited as High and New Technology Enterprises and enjoyed the reduced 15% EIT rate.

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

During the period ended 30 June 2023, the Company received a refund of United States CIT previously withheld on licensing income from a United States based customer amounting to RMB106,231,000.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 7. LOSS FOR THE PERIOD

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Loss for the period has been arrived at after charging (crediting) the following items: | | |
| Amortisation for intangible assets | **5,901** | 4,002 |
| Depreciation for property, plant and equipment | **131,258** | 120,401 |
| Less: amounts included in the cost of inventories | **(36,206)** | (27,980) |
| amounts included in the cost of properties under construction | **(4,594)** | (4,923) |
| | **90,458** | 87,498 |
| Depreciation of right-of-use assets | **26,069** | 27,293 |
| Less: amounts included in the cost of properties under construction | **(1,748)** | (3,569) |
| | **24,321** | 23,724 |
| Expenses relating to short-term leases and low-value assets | **6,520** | 1,413 |
| Donation expenses (included in other expenses) | **16,320** | 11,109 |
| Cost of inventories recognised as expense (including write-down of inventories amounting to RMB36,357,000 (six months ended 30 June 2022: RMB13,837,000)) | | |
| – Cost of sales | **281,898** | 137,134 |
| – Research and development expenses | **57,681** | 149,137 |
| Staff costs (including directors' emoluments): | | |
| – Salaries and other benefits | **567,862** | 547,980 |
| – Retirement benefit scheme contributions | **47,168** | 45,866 |
| – Share-based payments | **17,146** | 55,987 |
| | **632,176** | 649,833 |
| Less: amounts included in the cost of inventories | **(47,025)** | (42,544) |
| amounts included in the cost of properties under construction | **(10,193)** | (9,572) |
| | **574,958** | 597,717 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 8. DIVIDENDS

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

## 9. LOSS PER SHARE

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

### Loss

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share | **(996,421)** | (911,329) |

### Number of shares

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **985,191,620** | 910,828,061 |

In February 2023, the Company issued 2,818,231 ordinary shares (A Shares) to eligible persons upon the exercise of RSUs. On 2 February 2023, the shares newly issued were registered in China Securities Depository and Clearing Corporation Limited Shanghai Branch. The weighted average number of ordinary shares for the purpose of basic earning per share for the six months ended 30 June 2023 has been adjusted for the issuance of shares upon such exercise.

The weighted average number of ordinary shares for the purpose of basic earning per share for the six months ended 30 June 2022 has been adjusted for the issuance of shares upon the exercise of share options on 24 June 2022.

The computation of diluted loss per share for the six months ended 30 June 2023 does not assume the exercise of the Company's outstanding RSUs as this would result in a decrease in loss per share.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

During the current interim period, the Group capitalised property, plant and equipment amounting to RMB330,253,000 (six months ended 30 June 2022: RMB210,442,000), including capitalisation of interest expense of RMB4,533,000 (six months ended 30 June 2022: nil) in the PRC in order to upgrade its manufacturing capacities.

During the current interim period, the Group renewed several lease agreements and entered into several new lease agreements with lease terms ranged from 1 to 3 years. The Group is required to make fixed payments on the usage of the assets during the contract period. On the date of lease modification or lease commencement, the Group recognised right-of-use assets of RMB16,977,000 (six months ended 30 June 2022: RMB82,102,000) and lease liabilities of RMB16,977,000 (six months ended 30 June 2022: RMB82,102,000).

## 11. INTERESTS IN JOINT VENTURES

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|
| Cost of investments in joint ventures | **111,000** | 111,000 |
| Share of post-acquisition losses | **(3,551)** | (1,494) |
| | **107,449** | 109,506 |

## 12. INTERESTS IN ASSOCIATES

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|
| Cost of investments in associates | **518,061** | 518,061 |
| Share of post-acquisition losses | **(142,851)** | (113,791) |
| Less: elimination of unrealised intercompany transactions | **(16,100)** | (16,100) |
| Exchange realignment | **(6,226)** | (5,037) |
| | **352,884** | 383,133 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 13. DEFERRED TAX ASSETS

As at 30 June 2023, deferred tax assets of RMB172,690,000 (31 December 2022: RMB228,427,000) mainly in relation to unused tax losses has been recognised in the Group's condensed consolidated statement of financial position. No deferred tax asset has been recognised on the remaining tax losses 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.

## 14. TRADE RECEIVABLES

The Group allows a normal credit period of 45 to 150 days (31 December 2022: 60 days) to its trade customers.

The following is an analysis of trade receivables by age (net of allowance for credit losses) presented based on invoice dates, which approximated the revenue recognition date, at the end of the reporting period.

| | **As at 30 June 2023 RMB'000 (Unaudited)** | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|
| 0 to 30 days | **305,436** | 232,364 |
| 31 to 90 days | **96,152** | 361 |
| 91 to 150 days | **82,743** | – |
| Over 150 days | **15** | – |
| | **484,346** | 232,725 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 15. OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|
| Deposits | | |
| – current | **38,037** | 17,933 |
| – non-current | **13,854** | 15,238 |
| Prepayments | | |
| – current *(Note a)* | **256,213** | 239,822 |
| – non-current *(Note b)* | **288,627** | 293,562 |
| Amount due from a partner of a joint operation *(Note c)* | | |
| – current | **3,900** | 5,853 |
| Deposits in relation to use right of lands *(Note d)* | | |
| – non-current | **11,579** | 11,579 |
| Interest receivables | | |
| – current | **1,150** | 2,719 |
| Value added tax ("VAT") recoverable *(Note e)* | | |
| – current | **96,085** | 79,424 |
| – non-current | **40,366** | 42,370 |
| | **749,811** | 708,500 |
| Less: Allowance for credit losses | **(667)** | (614) |
| | **749,144** | 707,886 |
| Analysed as | | |
| – current | **394,718** | 345,137 |
| – non-current | **354,426** | 362,749 |
| | **749,144** | 707,886 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 15. OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

*Notes:*

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

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

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

(d) In November 2021, the Group paid a refundable and interest-bearing deposit amounting to RMB19,298,000 for construction of the headquarters building located in Shanghai to Shanghai Zhangjiang Science City Construction Management Office. 40% of the deposit of RMB7,719,000 was refunded upon the initiation of the construction of the facility in 2022. The remaining 60% of the deposit of RMB11,579,000 will be refunded upon completion of the construction.

(e) Included in VAT recoverable are RMB96,085,000 (31 December 2022: RMB79,424,000) value added tax recoverable presented as current assets as at 30 June 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 30 June 2023. The remaining VAT recoverable of RMB40,366,000 (31 December 2022: RMB42,370,000) are expected to be recovered after twelve months from the end of reporting period and therefore presented as non-current assets at the end of reporting period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 16. OTHER FINANCIAL ASSETS

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|
| Financial assets measured at FVTPL | | |
| – Unlisted equity investments in partnership | **156,612** | 156,235 |
| – Unlisted equity investments | **42,182** | 12,182 |
| – Investments in preference shares | **573,327** | 604,323 |
| | **772,121** | 772,740 |
| Financial asset designated as at FVTOCI *(Note)* | **76,888** | 137,457 |
| | **849,009** | 910,197 |

*Note:* The amount represents equity investment in Coherus whose shares are listed on the National Association of Securities Dealers Automated Quotations of the United States of America. The investment is not held for trading; instead, it is held for long-term strategic purpose. The management of the Group have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in the investment's fair value in profit or loss would not be consistent with the Group's strategy of holding the investment for long-term purposes and realising the performance potential in the long run.

## 17. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank deposits represent the deposit restricted for the bank borrowings. The restricted bank deposits amounting to RMB26,570,000 will be released in December 2023. (31 December 2022: restricted bank deposits amounting to RMB1,574,000 and RMB29,512,000 will be released on February 2023 and June 2023, respectively.)

Bank balances carrying interest at market rates which ranged from 0.0001% to 4.65% per annum as at 30 June 2023 (31 December 2022: 0.0001% to 4.12% per annum).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 18. TRADE AND OTHER PAYABLES

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|
| Trade payables | **318,379** | 281,600 |
| Accrued expenses in respect of | | |
| – construction cost of properties under construction | **245,694** | 133,382 |
| – research and development expenses *(Note a)* | **489,710** | 415,751 |
| – selling and distribution expenses | **49,895** | 65,783 |
| – others | **49,946** | 75,205 |
| Payables to licensor *(Note b)* | **–** | 69,097 |
| Payables to collaboration parties under collaboration agreements *(Note c)* | **10,175** | 16,639 |
| Salary and bonus payables | **138,690** | 191,903 |
| Other tax payables | **24,519** | 35,187 |
| Payable for transaction costs for the issue of new shares | **145** | 2,898 |
| Other payables | **48,436** | 50,955 |
| | **1,375,589** | 1,338,400 |

*Notes:*

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

(b) Amount as at 31 December 2022 represents the accrual on license income payable to a licensor at the end of the reporting period, which is repayable upon 30 days after issuance of invoice.

(c) Amounts represent payables to collaboration parties for co-development of certain pharmaceutical products.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 18. TRADE AND OTHER PAYABLES (Continued)

Payment terms with suppliers are mainly with credit term of 0 to 90 days (31 December 2022: 0 to 90 days) from the time when the goods and services are received from the suppliers. The following is an aging analysis of trade payables presented based on invoice date at the end of the reporting period:

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|
| 0 to 30 days | **229,044** | 87,591 |
| 31 to 60 days | **43,227** | 66,244 |
| 61 to 180 days | **26,808** | 72,321 |
| Over 180 days | **19,300** | 55,444 |
| | **318,379** | 281,600 |

## 19. BORROWINGS

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|
| Bank borrowings | | |
| – secured | **783,523** | 797,783 |
| – unsecured | **550,135** | 433,549 |
| | **1,333,658** | 1,231,332 |
| The maturity profile of bank borrowings is as follows: | | |
| – within one year | **396,759** | 391,750 |
| – within a period of more than one year but not exceeding two years | **97,759** | 84,836 |
| – within a period of more than two years but not exceeding five years | **589,249** | 397,708 |
| – within a period of more than five years | **249,891** | 357,038 |
| | **1,333,658** | 1,231,332 |
| Less: amount due within one year shown under current liabilities | **(396,759)** | (391,750) |
| Amount shown under non-current liabilities | **936,899** | 839,582 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 19. BORROWINGS (Continued)

As at 30 June 2023, the Group's variable-rate borrowings of RMB988,625,000 (31 December 2022: RMB977,397,000) carry interest at 3.5% to 3.9% (31 December 2022: 3.7% to 3.9%) per annum.

As at 30 June 2023, the Group's fixed-rate borrowings of RMB345,033,000 (31 December 2022: RMB253,935,000) carry interest at around 2.0% (31 December 2022: 1.9% to 2.0%) per annum.

## 20. SHARE CAPITAL

| | Total number of shares | Amount RMB'000 |
|---|---|---|
| Registered, issued and fully paid at RMB1.0 per share: | | |
| At 1 January 2022 (Audited) | 910,756,700 | 910,757 |
| Exercise of share options *(Note 21)* | 1,845,200 | 1,845 |
| At 30 June 2022 (Unaudited) | 912,601,900 | 912,602 |
| At 1 January 2023 (Audited) | 982,871,640 | 982,872 |
| Exercise of RSUs *(Note 21)* | 2,818,231 | 2,818 |
| At 30 June 2023 (Unaudited) | 985,689,871 | 985,690 |

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 21. SHARE-BASED PAYMENT TRANSACTIONS

### Share Option Scheme

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

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

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

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

As at 30 June 2023, there was no options which remain outstanding under the Share Option Scheme (31 December 2022: nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### Share Option Scheme (Continued)

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

**For the period ended 30 June 2022**

| | | | | | | Number of share options | | | |
|---|---|---|---|---|---|---|---|---|---|
| Date of grant | Exercise price RMB | Vesting date (before Second Amended Option Scheme) | Vesting date (after Second Amended Option Scheme) | Expiry date (before Second Amended Option Scheme) | Expiry date (after Second Amended Option Scheme) | Outstanding at 1 January 2022 | Exercised during the period | Forfeited during the period | Outstanding at 30 June 2022 |
| 14 May 2018 | 9.20 | 12 March 2021 | 16 December 2021 | 12 March 2022 | 15 December 2022 | 1,845,200 | (1,845,200) | – | – |
| Exercisable at the end of the period | | | | | | | | | – |
| Weighted average exercise price (RMB) | | | | | | | 9.20 | – | – |

### 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 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### Restricted A Share Incentive Scheme (Continued)

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

**For the period ended 30 June 2023**

| | | | Number of RSUs | | | |
|---|---|---|---|---|---|---|
| Date of grant | Vesting date | Expiry date | Outstanding at 1 January 2023 | Granted during the period | Exercised during the period | **Outstanding at 30 June 2023** |
| 16 November 2020 | 16 November 2022 | 15 November 2023 | 6,130,740 | – | (2,088,696) | **4,042,044** |
| 16 November 2020 | 16 November 2023 | 15 November 2024 | 6,159,540 | – | – | **6,159,540** |
| Total | | | 12,290,280 | – | (2,088,696) | **10,201,584** |
| Exercisable at the end of the period | | | | | | **4,042,044** |
| Weighted average exercise price (RMB) | | | 55.50 | – | 55.50 | **55.50** |

**For the period ended 30 June 2022**

| Date of grant | Vesting date | Expiry Date | Number of RSUs Outstanding at 1 January 2022 and 30 June 2022 |
|---|---|---|---|
| 16 November 2020 | 16 November 2021 | 15 November 2022 | 9,698,120 |
| 16 November 2020 | 16 November 2022 | 15 November 2023 | 7,273,590 |
| 16 November 2020 | 16 November 2023 | 15 November 2024 | 7,273,590 |
| Total | | | 24,245,300 |
| Exercisable at the end of the period | | | 9,698,120 |
| Weighted average exercise price (RMB) | | | 55.50 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 21. 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 period ended 30 June 2023**

| | | | Number of RSUs | | | |
|---|---|---|---|---|---|---|
| Date of grant | Vesting date | Expiry date | Outstanding at 1 January 2023 | Granted during the period | Exercised during the period | **Outstanding at 30 June 2023** |
| 15 November 2021 | 15 November 2022 | 15 November 2023 | 2,418,850 | – | (729,535) | **1,689,315** |
| 15 November 2021 | 15 November 2023 | 15 November 2024 | 2,418,850 | – | – | **2,418,850** |
| Total | | | 4,837,700 | – | (729,535) | **4,108,165** |
| Exercisable at the end of the period | | | | | | **1,689,315** |
| Weighted average exercise price (RMB) | | | 55.50 | – | 55.50 | **55.50** |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### Reserved Restricted A Share Incentive Scheme (Continued)

**For the period ended 30 June 2022**

| Date of grant | Vesting date | Expiry Date | Number of RSUs Outstanding at 1 January 2022 and 30 June 2022 |
|---|---|---|---|
| 15 November 2021 | 15 November 2022 | 15 November 2023 | 3,564,500 |
| 15 November 2021 | 15 November 2023 | 15 November 2024 | 3,564,500 |
| Total | | | 7,129,000 |
| Exercisable at the end of the period | | | – |
| Weighted average exercise price (RMB) | | | 55.50 |

During the period ended 30 June 2023, share-based payment expense of RMB16,659,000 (six months ended 30 June 2022: RMB52,454,000) (net of RMB487,000 (six months ended 30 June 2022: RMB3,533,000) capitalised in cost of construction in progress) has been recognised in profit or loss.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 22. CAPITAL AND OTHER COMMITMENTS

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

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|---|
| Capital expenditure contracted for but not provided in the condensed consolidated financial statements: | | |
| – acquisition of property, plant and equipment | **1,375,491** | 754,965 |
| Other commitments in respect of: | | |
| – investments in associates | **180,000** | 180,000 |

## 23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### Fair value measurement and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

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

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

| Financial assets | Fair value as at 30 June 2023 RMB'000 (Unaudited) | Fair value as at 31 December 2022 RMB'000 (Audited) | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs |
|---|---|---|---|---|---|
| Investments in preference shares | 35,000 | 35,000 | Level 2 | Recent transaction price | N/A |
| Unlisted equity investment | 5,380 | 5,380 | Level 3 | Back-solve from recent transaction price method | 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 discount rate and Price-to – cumulative Research & Development Expenses multiple ("P/R&D multiple"). | Discount rate of 28% (31 December 2022: 28%) and P/R&D multiple of 3.28 (31 December 2022: 3.28), taking into account management's experience and knowledge of market conditions |
| Investment in preference share | 137,989 | 151,167 | Level 3 | Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple | Discount rate of 17% (31 December 2022: 21%) and P/R&D multiple of 10.22 (31 December 2022: 13.45), taking into account management's experience and knowledge of market conditions |
| Investment in preference share | 53,808 | 58,964 | Level 3 | Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple | Discount rate of 28% (31 December 2022: 28%) and P/R&D multiple of 6.31 (31 December 2022: 8.28), taking into account management's experience and knowledge of market conditions |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

| Financial assets | Fair value as at 30 June 2023 RMB'000 (Unaudited) | Fair value as at 31 December 2022 RMB'000 (Audited) | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs |
|---|---|---|---|---|---|
| Investment in preference share | 22,492 | 22,492 | Level 3 | Back-solve from recent transaction price method | Redemption/Liquidation/IPO probability/ risk – free rate/expected volatility/ liquidity discount |
| Investment in preference share | 37,324 | 40,556 | Level 3 | Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple | Discount rate of 20% (31 December 2022: 24%) and P/R&D multiple of 5.83 (31 December 2022: 9.93), taking into account management's experience and knowledge of market conditions |
| Investment in preference share | 22,483 | 26,028 | Level 3 | Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple | Discount rate of 22% (31 December 2022: 23%) and P/R&D multiple of 4.61 (31 December 2022: 5.28), taking into account management's experience and knowledge of market conditions |
| Unlisted equity investment | 30,000 | – | Level 2 | Recent transaction price | N/A |
| Investment in preference share | 40,051 | 40,000 | Level 3 (31 December 2022: Level 2) | Back-solve from recent transaction price method. (31 December 2022: Recent transaction price) | Redemption/Liquidation/IPO probability/ risk – free rate/expected volatility/ liquidity discount (31 December 2022: N/A) |
| Investment in preference share | 74,430 | 74,430 | Level 3 | Back-solve from recent transaction price method. | Redemption/Liquidation/IPO probability/ risk – free rate/expected volatility/ liquidity discount |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

| | Fair value as at | | | | |
|---|---|---|---|---|---|
| Financial assets | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs |
| Investment in preference share | 100,852 | 92,163 | Level 3 | Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple | Discount rate of 18% (31 December 2022: 18%) and P/R&D multiple of 1.99 (31 December 2022: 2.22) taking into account management's experience and knowledge of market conditions |
| Investment in preference share | 48,898 | 63,522 | Level 3 | Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple | Discount rate of 27% (31 December 2022: 27%) and P/R&D multiple of 2.30 (31 December 2022: 3.06) taking into account management's experience and knowledge of market conditions |
| Unlisted equity investments in partnership | 156,612 | 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 is determined based on the share of fair value of the underlying net assets held by the investee |
| | 772,121 | 772,740 | | | |
| **Financial assets at FVTOCI** | | | | | |
| Listed equity investment | 76,888 | 137,457 | Level 1 | Quoted bid prices in an active market | N/A |
| | 849,009 | 910,197 | | | |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

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

For the sensitivity analysis of other significant unobservable inputs of other investments, the management of the Group considers that the impacts are immaterial, and such relevant information is not disclosed.

### 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 2023 (Audited) | **12,182** | **156,236** | **529,322** | **697,740** |
| Transfer into Level 3 due to change of valuation technique *(Note)* | **–** | **–** | **40,000** | **40,000** |
| Disposed | **–** | **(2,853)** | **–** | **(2,853)** |
| Change in fair value charged to profit or loss | **–** | **3,229** | **(30,995)** | **(27,766)** |
| At 30 June 2023 (Unaudited) | **12,182** | **156,612** | **538,327** | **707,121** |
| At 1 January 2022 (Audited) | 8,754 | 155,218 | 404,765 | 568,737 |
| Transfer into Level 3 due to change of valuation technique *(Note)* | – | – | 66,521 | 66,521 |
| Change in fair value credited (charged) to profit or loss | – | 8,466 | (31,385) | (22,919) |
| At 30 June 2022 (Unaudited) | 8,754 | 163,684 | 439,901 | 612,339 |

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 24. RELATED PARTIES DISCLOSURES

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

### (a) Research and development expenses incurred

| | For the six months ended 30 June | |
|---|---|---|
| Name of related party | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Shanghai Ruotuo Biotechnology Co., Ltd.* 上海偌妥生物科技有限公司 ("SHRT") *(Note a)* | **3,239** | 5,314 |

*Note a:* SHRT is a wholly-owned subsidiary of Anwita Biosciences, Inc., an associate of the Group.

### (b) Service income received

| | For the six months ended 30 June | |
|---|---|---|
| Name of related party | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Hainan Junshi Phase I Equity Investment Fund Partnership Enterprise (Limited Partnership)* 海南君實一期股權投資基金合夥企業(有限合夥) *(Note b)* | **491** | 125 |

*Note b:* Hainan Junshi Phase I Equity Investment Fund Partnership Enterprise (Limited Partnership)* is an associate of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 24. RELATED PARTIES DISCLOSURES (Continued)

### (c) Compensation of directors and key management personnel

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Short-term benefits and performance bonus | **23,973** | 30,500 |
| Share-based payment expenses | **3,849** | 9,068 |
| Post-employment benefits | **487** | 340 |
| | **28,309** | 39,908 |

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

## 25. EVENT AFTER THE END OF THE REPORTING PERIOD

On 30 August 2023, the Company entered into the equity transfer agreement with IMPACT Therapeutics, Inc.* 南京英派藥業有限公司 ("IMPACT Therapeutics"), the parent of a shareholder of an associate of the Group, Shanghai Junpai Yingshi Pharmaceutical Co., Ltd.* 上海君派英實藥業有限公司 ("JPYP"), pursuant to which the Company has agreed to sell and IMPACT Therapeutics has agreed to purchase, a 50% equity interest in JPYP. The completion of the transaction is still subject to the fulfilment of certain conditions precedents. Upon completion of the disposal, the Group will cease to have any equity interest in JPYP.

# DEFINITIONS

| | |
|---|---|
| ***A Share(s)*** | ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in Renminbi and have been issued and listed on the STAR Market since 15 July 2020 |
| ***A Shareholder(s)*** | holder(s) of A Share(s) |
| ***ANGPTL3*** | angiopoietin-like protein 3 |
| ***Articles of Association*** | articles of association of the Company |
| ***ASCO*** | American Society of Clinical Oncology |
| ***Audit Committee*** | the audit committee of the Company |
| ***Board of Supervisors*** | the Company's board of Supervisors |
| ***Board or Board of Directors*** | the Company's board of Directors |
| ***CG Code*** | Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules |
| ***Coherus*** | Coherus BioSciences, Inc. |
| ***Companies Ordinance*** | the Companies Ordinance, Chapter 622 of the Laws of Hong Kong |
| ***Company*** | Shanghai Junshi Biosciences Co., Ltd.* 上海君實生物醫藥科技股份有限公司 |
| ***DCR*** | disease control rate |
| ***DoR*** | duration of response |
| ***Director(s)*** | director(s) of the Company |
| ***Dr. Reddy's*** | Dr. Reddy's Laboratories Limited |
| ***EFS*** | event-free survival |
| ***EMA*** | European Medicines Agency |
| ***ESCC*** | esophageal squamous cell carcinoma |
| ***ES-SCLC*** | extensive-stage small cell lung cancer |
| ***Excellmab*** | Excellmab Pte. Ltd. |

# DEFINITIONS

| | |
|---|---|
| ***FDA*** | the U.S. Food and Drug Administration |
| ***GDR*** | global depositary receipts |
| ***Group*** | the Company and its subsidiaries |
| ***H Share(s)*** | overseas-listed share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and are listed on Hong Kong Stock Exchange |
| ***H Share Listing*** | the listing of the Company's H Shares on the Hong Kong Stock Exchange on 24 December 2018 |
| ***H Shareholder(s)*** | holder(s) of H Share(s) |
| ***Hikma*** | Hikma MENA FZE |
| ***HKD or HK$*** | Hong Kong dollars, the official currency of Hong Kong |
| ***Hong Kong*** | Hong Kong Special Administrative Region of PRC |
| ***Hong Kong Listing Rules or Listing Rules*** | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange |
| ***IDMC*** | Independent Data Monitoring Committee |
| ***IMPACT Therapeutics*** | IMPACT Therapeutics, Inc. |
| ***IND*** | investigational new drug |
| ***LS-SCLC*** | limited-stage small cell lung cancer |
| ***MAA*** | marketing authorization application |
| ***MHRA*** | Medicines and Healthcare products Regulatory Agency |
| ***Model Code*** | the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules |
| ***mRNA*** | messenger RNA |
| ***NDA*** | new drug application |
| ***NMPA*** | National Medical Products Administration of China |

# DEFINITIONS

| | |
|---|---|
| ***Nomination Committee*** | the nomination committee of the Company |
| ***NPC*** | nasopharyngeal carcinoma |
| ***NRDL*** | National Reimbursement Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2022 Edition)* 《國家基本醫療保險、工傷保險和生育保險藥品目錄(2022)版》 |
| ***NSCLC*** | non-small cell lung cancer |
| ***ORR*** | objective response rate |
| ***OS*** | overall survival |
| ***PFS*** | progression-free survival |
| ***PRC or China*** | the People's Republic of China |
| ***R&D*** | research and development |
| ***RCC*** | renal cell carcinoma |
| ***RdRp*** | RNA-dependent RNA polymerase |
| ***Remuneration and Appraisal Committee*** | the remuneration and appraisal committee of the Company |
| ***Reporting Period*** | the six months ended 30 June 2023 |
| ***RMB*** | Renminbi |
| ***Rxilient Biotech*** | Rxilient Biotech Pte. Ltd. |
| ***SFO*** | the Securities and Futures Ordinance, Charter 571 of the laws of Hong Kong |
| ***Shanghai Stock Exchange*** | the Shanghai Stock Exchange (上海證券交易所) |
| ***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) |

# DEFINITIONS

| | |
|---|---|
| ***siRNA*** | small interfering RNA |
| ***sNDA*** | supplemental new drug application |
| ***STAR Market*** | the STAR Market of the Shanghai Stock Exchange |
| ***STAR Market Listing*** | the listing of the Company's A Shares on the STAR Market on 15 July 2020 |
| ***Stock Exchange or Hong Kong Stock Exchange*** | The Stock Exchange of Hong Kong Limited |
| ***Strategic Committee*** | the strategic committee of the Company |
| ***Supervisors*** | supervisors of the Company |
| ***UC*** | urothelial carcinoma |
| ***USD*** | United States dollars |
| ***%*** | per cent |

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

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

* *For identification purpose only*