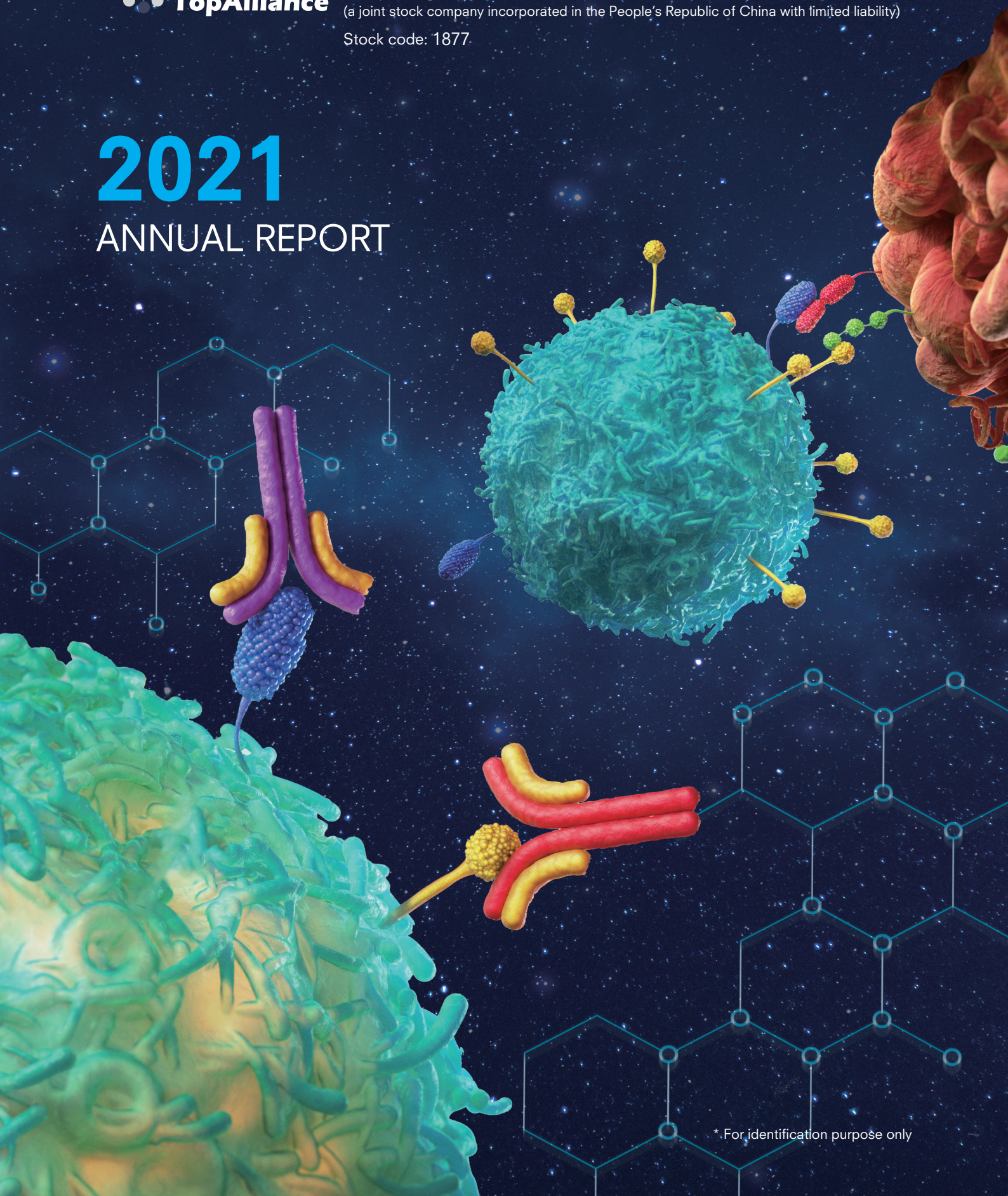
君实生物
TopAlliance

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

2021
ANNUAL REPORT



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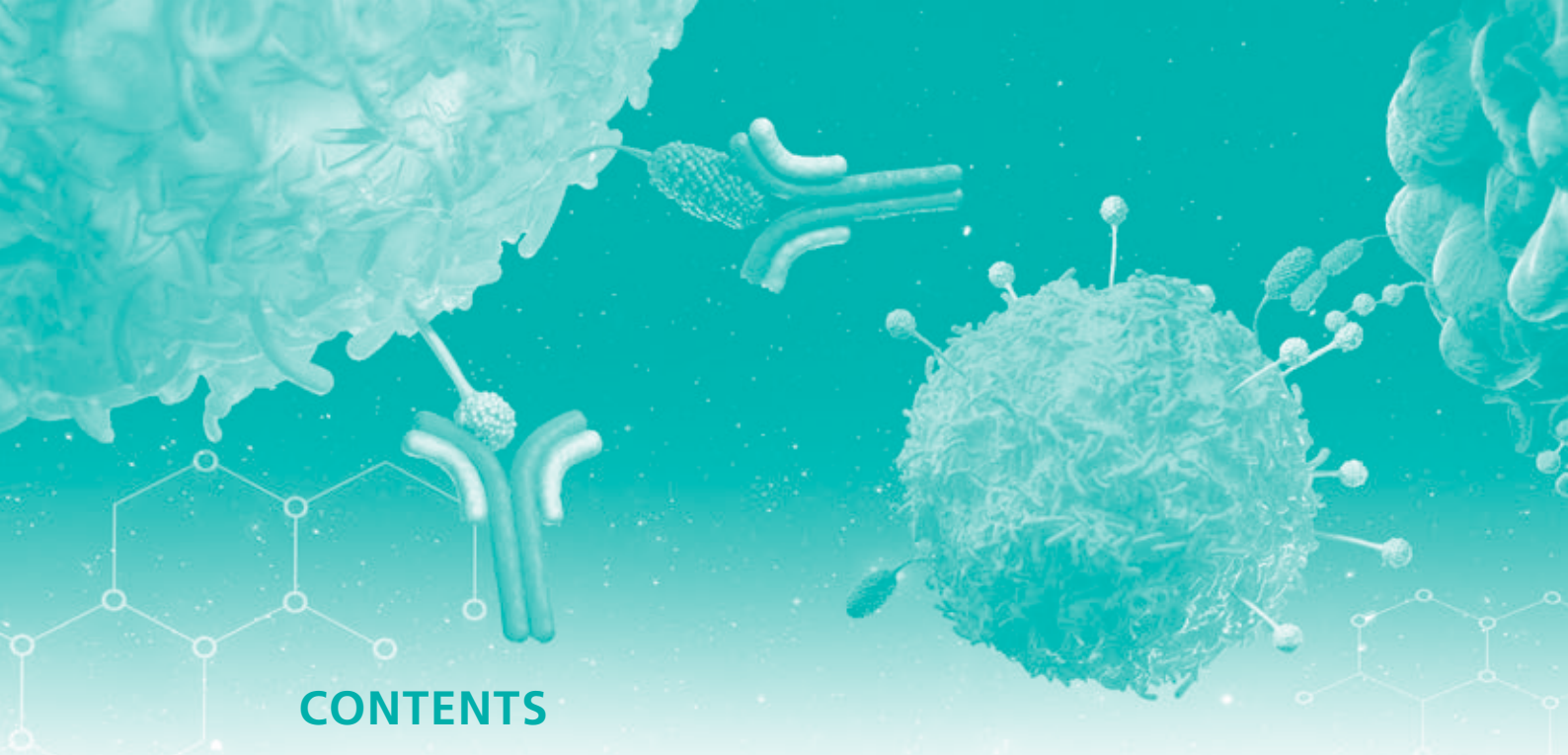

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Dr. Wu Hai
Mr. Tang Yi
Mr. Lin Lijun
Mr. Li Cong[1]
Mr. Yi Qingqing[4]

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Chen Lieping
Dr. Roy Steven Herbst
Mr. Qian Zhi
Mr. Zhang Chun
Dr. Feng Xiaoyuan[2]
Dr. Jiang Hualiang[3]

SUPERVISORS

Mr. Wu Yu *(Chairman of the Board of Supervisors)*
Ms. Wang Pingping
Ms. Huo Yilian[7]
Ms. Li Ruolin[8]
Mr. Fu Cexiong[8]
Mr. Liu Jun[8]

AUDIT COMMITTEE

Mr. Zhang Chun *(Chairman)*
Mr. Tang Yi[5]
Mr. Qian Zhi
Mr. Li Cong[6]

NOMINATION COMMITTEE

Dr. Feng Xiaoyuan[2] *(Chairman)*
Mr. Xiong Jun
Mr. Qian Zhi
Dr. Jiang Hualiang[3]

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Zhang Chun *(Chairman)*
Mr. Xiong Jun
Dr. Li Ning
Mr. Qian Zhi
Dr. Feng Xiaoyuan[2]
Dr. Jiang Hualiang[3]

STRATEGIC COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. Chen Yingge
Ms. Lai Siu Kuen[9]
Ms. Wong Yik Han[10]

AUTHORIZED REPRESENTATIVES

Ms. Chen Yingge
Ms. Lai Siu Kuen[9]
Ms. Wong Yik Han[10]

CORPORATE INFORMATION

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

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

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

Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

H SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

LEGAL ADVISERS

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

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LISTING

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

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

910,756,700 Shares
(including 219,295,700 H Shares and 691,461,000 A Shares)

BOARD LOT OF H SHARES

200 H Shares

COMPANY'S WEBSITE

www.junshipharma.com

INVESTOR RELATIONS

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

[1] Re-designated as an executive Director and appointed as the co-chief executive officer with effect from 2 November 2021
[2] Appointed with effect from 16 December 2021
[3] Resigned on 30 August 2021, and with effect from 16 December 2021
[4] Resigned with effect from 29 June 2021
[5] Appointed with effect from 2 November 2021
[6] Ceased with effect from 2 November 2021
[7] Appointed with effect from 29 June 2021
[8] Retired with effect from 29 June 2021
[9] Appointed with effect from 29 April 2021
[10] Resigned with effect from 29 April 2021

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- As at 31 December 2021, total revenue of the Group reached RMB4,025 million during the Reporting Period, representing an increase of 152% compared to the year 2020. In particular, the revenue from out-licensing significantly increased to RMB3,341 million, which is based on the following two cooperative projects: (i) pursuant to the research collaboration and license agreement entered into between the Company and Lilly, by virtue of the rapid progress of the cooperation, all milestone events agreed upon in the overseas licensing of etesevimab (JS016/LY-CoV016) to Lilly have been completed; (ii) the Company entered into the Exclusive License and Commercialization Agreement with Coherus, pursuant to which both parties agreed to carry out in-depth cooperation in the field of tumor immunotherapy in the Coherus Territory.

- Total R&D expenses were RMB2,069 million during the Reporting Period, representing an increase of 16% compared to the year 2020. The increase in R&D expenses was mainly due to (i) continuous increase in R&D investment, diversification and expansion of product pipelines, and the acceleration of the development of existing clinical projects; (ii) expansion of the R&D team; and (iii) rise of remuneration cost including the expenses of the 2020 Restricted A Share Incentive Scheme, which was implemented in November 2020 to incentivize and retain personnel.

- Net cash from financing activities was RMB2,666 million during the Reporting Period, which was mainly attributable to the successful placing of the Company's new H Shares on the Hong Kong Stock Exchange on 23 June 2021 with net cash inflow from the placing of RMB2,105 million and receipts of capital contribution from external investors to JunTop Biosciences, a controlled subsidiary of the Company, with net cash inflow of RMB895 million. Such net cash inflow fully covered the cash used in operating and investing activities, leading to the increase of RMB120 million in bank balances and cash.

- Total comprehensive expense of the Group was RMB719 million during the Reporting Period, representing a decrease of 57% compared to the year 2020, which was mainly attributable to the increase of revenue from out-licensing partially offset by the increasing R&D expenses, administrative expenses and selling and distribution expenses.

HIGHLIGHTS

BUSINESS HIGHLIGHTS

During the Reporting Period, we continuously adhered to the strategic plan of "in China, for global", and achieved explosive growth in operating income, which gradually demonstrated our income generation capability. In addition, several of our R&D pipelines have reached exciting milestones, and we have also achieved progress with respect to our product commercialization, clinical trials and pipeline expansion, including the following achievements and milestones:

- Our innovative R&D field has expanded from monoclonal antibodies to the development of various drug modalities, including small molecules drugs, polypeptide drugs, antibody drug conjugates (ADCs), bi-specific or multi-specific antibodies and nucleic acid drugs, as well as the exploration of next-generation innovative therapies for cancer and autoimmune diseases. Our product pipelines cover 5 major therapeutic areas including malignant tumors, autoimmune diseases, chronic metabolic diseases, neurologic diseases and infectious diseases. In particular, there were a total of 3 assets (toripalimab, etesevimab and adalimumab) under commercialization, 23 assets under clinical trials (in particular, ongericimab, VV116, bevacizumab and PARP inhibitor were under Phase III clinical trials) and over 25 drug candidates under pre-clinical drug development.

  - In January 2021, TUOYI® (toripalimab) for the first-line treatment of mucosal melanoma was granted Fast Track Designation by the FDA. Meanwhile, the FDA also approved the IND application for an immediate Phase III clinical trial of TUOYI® in combination with axitinib for the first-line treatment of mucosal melanoma. In March 2021, the indication was granted BTD by the NMPA.

  - In February 2021, we entered into the Exclusive License and Commercialization Agreement with Coherus. Pursuant to the agreement, the Company granted Coherus an exclusive license for TUOYI® and two option programs (if exercised) in the Coherus Territory, as well as the right of first negotiation for two early-stage checkpoint inhibitor antibodies, and may receive up to an aggregate of US$1.11 billion of upfront payment, exercise fee and milestone payments. In particular, Coherus made an one-off upfront payment of US$150 million to the Company.

  - In February 2021, the sNDA for TUOYI® in combination with cisplatin and gemcitabine as the first-line treatment for patients with locally recurrent or metastatic NPC was accepted by the NMPA. In November 2021, the indication was approved by the NMPA.

  - In February 2021, the sNDA for TUOYI® for the treatment of patients with recurrent or metastatic NPC after failure of at least two lines of prior systemic therapy was granted conditional approval by the NMPA.

  - In January and February 2021, TAB006/JS006 (recombinant humanized anti-TIGIT monoclonal antibody) received IND approval from the NMPA and the FDA, respectively.

HIGHLIGHTS

- In February 2021, the IND applications for JS110 (XPO1 inhibitor) and JS111 (EGFR exon20 insertion and other uncommon mutation inhibitor) jointly developed by us and Wigen Biomedicine were accepted by the NMPA, and received IND approvals in April 2021.

- In February 2021, the IND application for the drug candidate JS201 (anti-PD-1/TGF-β bifunctional fusion protein) was accepted by the NMPA, and received IND approval in May 2021.

- In March 2021, TopAlliance, our wholly-owned subsidiary, initiated the rolling submission of BLA for toripalimab to the FDA for the treatment of recurrent or metastatic NPC, and was accepted for rolling review. Toripalimab became the first domestic anti-PD-1 monoclonal antibody to have submitted a BLA to the FDA. In August 2021, toripalimab in combination with gemcitabine and cisplatin for the first-line treatment for patients with advanced recurrent or metastatic NPC was granted a BTD by the FDA. In September 2021, the Company completed the rolling submission of BLA for the above two indications. At the end of October 2021, BLAs for the above two indications were accepted by the FDA. According to the acceptance letter, the FDA has granted priority review designation for the BLAs and indicated that it does not plan to hold an advisory committee meeting for the BLAs. The PDUFA date is set in April 2022.

- In March 2021, the IND application for JS103 (pegylated uricase derivative) was accepted by the NMPA, and received IND approval in May 2021.

- In March 2021, the IND application for JS007 (recombinant humanized anti-CTLA-4 monoclonal antibody) was accepted by the NMPA, and received IND approval in June 2021.

- In April 2021, the sNDA for TUOYI® for the treatment of patients with locally advanced or metastatic urothelial carcinoma ("**UC**") who failed platinum-containing chemotherapy or progressed within 12 months of neoadjuvant or adjuvant platinum-containing chemotherapy was granted conditional approval by the NMPA.

- In April 2021, the IDMC determined that TUOYI® in combination with paclitaxel/cisplatin as the first-line treatment for patients with advanced or metastatic ESCC has reached its pre-specified primary endpoints of PFS and OS at the interim analysis of a randomized, double-blind, placebo-controlled, multi-center, Phase III clinical study ("**JUPITER-06 study**", NCT03829969).

- In June 2021, the IND application for JS014 (recombinant IL-21 – a nanobody fusion protein of anti-human serum albumin (HSA)) was accepted by the NMPA, and received IND approval in August 2021.

- In July 2021, the sNDA for TUOYI® in combination with platinum-containing chemotherapy as the first-line treatment for patients with locally advanced or metastatic ESCC was accepted by the NMPA.

HIGHLIGHTS

- In August 2021, the IND application for UBP1213sc (recombinant humanized anti-B lymphocyte stimulator (BLyS) monoclonal antibody) was accepted by the NMPA, and received IND approval in November 2021.
- In September 2021, the IND application for JS012 (recombinant humanized anti-Claudin18.2 monoclonal antibody) was accepted by the NMPA, and received IND approval in November 2021.
- In October 2021, the IND application for JS019 (recombinant fully human anti-CD39 monoclonal antibody) jointly developed by us and Beijing Eirene was accepted by the NMPA, and received IND approval in December 2021.
- In October 2021, the IND application for JS026 (recombinant fully human monoclonal antibody for treatment of COVID-19) was accepted by the NMPA, and received IND approval in November 2021.
- In November 2021, the IND application for JS112 (Aurora A inhibitor) was accepted by the NMPA, and received IND approval in February 2022.
- In December 2021, the IND application for JS107 (recombinant humanized anti-Claudin18.2 monoclonal antibody – MMAE conjugate) was accepted by the NMPA, and received IND approval in March 2022.
- In December 2021, the IND application for JS001sc (a subcutaneous injection formulation developed on the basis of TUOYI®) was accepted by the NMPA, and received IND approval in March 2022.
- In December 2021, the sNDA of TUOYI® in combination with standard first-line chemotherapy for untreated, driver-negative advanced NSCLC was accepted by the NMPA.

HIGHLIGHTS

- In face of COVID-19, we responded swiftly and cooperated with domestic and foreign scientific research institutions and enterprises to jointly develop a variety of drug candidates for the treatment of COVID-19, and took the initiative to undertake the social responsibility of Chinese pharmaceutical companies through efficient R&D. Many stages of progress have been achieved during the Reporting Period.

  - Etesevimab (JS016/LY-CoV016): In early 2020, we jointly developed etesevimab with the IMCAS. Lilly introduced from the Company the rights and interests of etesevimab outside the Greater China Region (including mainland China, Hong Kong, Macau and Taiwan), and we continued to lead the development of the drug in the Greater China Region. In February 2021, the FDA granted Lilly the EUA for the use of etesevimab and bamlanivimab administered together in the treatment of patients with mild to moderate COVID-19 aged 12 and above who were at high risk for progressing to severe COVID-19 and/or hospitalization. In September 2021, the FDA granted the EUA for etesevimab and bamlanivimab administered together for the application of treatment for high-risk individuals aged 12 and above who have not been fully vaccinated against COVID-19 or are not expected to be able to develop an adequate immune response after completing vaccination, and have been exposed to others infected with SARS-CoV-2 or who are at high risk of exposure in an institutional setting, including nursing homes or prisons. In December 2021, the scope of EUA was further extended to include treatment and post-exposure prevention of mild to moderate COVID-19 for specific high-risk pediatric population (from infant to child aged under 12). As of the end of the Reporting Period, etesevimab and bamlanivimab administered together has been granted EUA in more than 15 countries and regions around the world, and more than 700,000 patients have received etesevimab and bamlanivimab administered together or bamlanivimab treatment, potentially preventing more than 35,000 hospitalizations and at least 14,000 deaths during the worst period of the pandemic.

  - VV116 (JT001): In September 2021, JunTop Biosciences, a subsidiary of the Company, partnered with Vigonvita to jointly undertake the clinical development and industrialization of VV116, an oral nucleoside anti-SARS-CoV-2 drug, in the collaboration territory, being the whole world except for the following four territories, namely the five Central Asian countries, Russia, North Africa and the Middle East. As of the date of this announcement, VV116 is approved for the treatment of moderate to severe COVID-19 patients in Uzbekistan (not within the collaboration territory). The Company is conducting an international multi-center, randomized, double-blind phase III clinical study to evaluate the efficacy and safety of VV116 versus standard therapy in subjects with moderate to severe COVID-19. The enrollment and dosing of the first patient have been completed. In addition, in respect of mild to moderate COVID-19, the Company has also initiated an international multi-center, double-blind, randomized, placebo-controlled, Phase II/III clinical study (NCT05242042) to evaluate the efficacy, safety and pharmacokinetics of VV116 for early treatment of patients with mild to moderate COVID-19. The study has completed the enrollment and dosing of the first patient at Shanghai Public Health Clinical Center* (上海市公共衛生臨床中心), and is in progress in multiple centers around the world.

  - VV993 (JT003): JunTop Biosciences partnered with Vigonvita to jointly undertake the research, production and commercialization of VV993, a new oral anti-SARS-CoV-2 drug candidate targeting 3CL protease, in the collaboration territory.

HIGHLIGHTS

- Apart from developing drug candidates on our own technology platforms, we also actively collaborated with outstanding domestic and overseas biotechnology companies to further expand our product pipeline, deploy the next-generation innovative drug technology platform and enrich drug combination therapies.

  — In July 2021, we and Immorna entered into an agreement in relation to the establishment of a joint investment company. The joint investment company will mainly engage in the R&D, clinical research, application for approval, production and commercialization of product development projects in the fields of tumors, infectious diseases, rare diseases and other diseases agreed by both parties on the mRNA technology platform globally. The joint investment company will be owned 50% by the Company and 50% by Immorna upon its establishment. The establishment of the joint investment company can complement each party's technological advantages, capitalize the strengths of the mRNA general platform technology in tumor immunotherapy, infectious disease prevention and other fields in a more efficient manner, and continuously explore new directions of application.

- TUOYI® continued to be included in Category B in NRDL (2021 Edition). Two indications of the treatment of patients with recurrent or metastatic NPC after failure of at least two lines of prior systemic therapy as well as the treatment of patients with locally advanced or metastatic UC who failed platinum-containing chemotherapy or progressed within 12 months of neoadjuvant or adjuvant platinum-containing chemotherapy were added, which filled the gaps in immunotherapy for patients with advanced NPC and non-selective patients with advanced UC in the latest edition of the NRDL, and became the only anti-PD-1 monoclonal antibody used in the treatment of melanoma and nasopharyngeal cancer in the latest edition of the NRDL.

  The sales revenue of TUOYI® was RMB412 million for the year. After the official implementation of the 2020 NRDL in March 2021, the terminal pricing of TUOYI® products dropped by over 60% compared to the initial pricing in 2020. Moreover, after the continued inclusion in the 2021 NRDL and further price reduction of TUOYI® at the end of the Reporting Period, we compensated the price difference for the entire inventory of the distributors, which also had a certain impact on the recognition of product revenue for the current period. 2021 was also a relatively turbulent year for our commercialization team. Our team underwent several rounds of adjustment to chief commercial officers and sales forces, and jointly explored and worked with external partners on the promotion of TUOYI®. Due to the frequent restructuring of the team, the stability of team was greatly affected, and its execution ability has declined. As market activities were not executed in a stable manner, the effectiveness of market activities had declined, thus significantly affecting customers' confidence in cooperation. Given the above reasons and the increasingly intensive competition for commercialization of PD-1 products in the domestic market, although the sales volume of TUOYI® increased in 2021 under the circumstance that only niche indications were included in the NRDL and large indications for larger applicable population have not been approved for marketing, sales on a price-for-volume basis have yet to be achieved, leading to negative growth in sales revenue.

HIGHLIGHTS

In November 2021, the Board of Directors agreed to appoint Mr. Li Cong as a co-chief executive officer of the Company to be fully responsible for the Company's commercialization-related work. As of the date of this announcement, the Company has completed the restructuring of the commercialization team, and Mr. Li Cong has completed the establishment and restoration of the regional marketing team and also increased the headcount of the core market personnel. In December 2021, after friendly negotiation, the Company withdrew the promotion rights as agreed in the agreement with AstraZeneca and the Company's commercialization team would be independently responsible for all promotion activities of TUOYI® in mainland China. Through the urban commercial insurance across the country, out-of-pocket expenses on the indications of TUOYI® that has been included in the NRDL were entitled to supplementary reimbursement under the NRDL in 102 cities. The newly approved nasopharyngeal cancer indication for first-line treatment in November 2021 has been included in the medical insurance catalogues in 11 cities, for which supplementary medical insurance could be obtained in 51 cities, thus reducing the burden on patients. As the Company recovered outsourced indications and wide-area marketing rights of TUOYI®, and TUOYI® for melanoma, nasopharyngeal cancer, and urothelial cancer indications has been successfully included in the NRDL, our team members have regained their confidence. The sales activities of TUOYI® in the domestic market have turned the corner and gradually returned to a normal level. A series of marketing campaign has commenced, aiming to reshape the market image of the Company and TUOYI®. Our team is confident that the Company can gain over 50% market share in the tumor fields covered by the indications that had been included in NRDL. With indications for other types of tumor being gradually approved for marketing, the Company would be able to gain its designated market share.

As an innovative drug company in the phase of rapid development, we are of the view that the setbacks we encountered on the journey to commercialization are temporary. As the construction of our commercialization team gradually becomes stable and orderly, more large indications of TUOYI® have completed the Phase III registration clinical trials and entered the commercial approval stage, the gradual realization of the prospective layout advantages of adjuvant and neoadjuvant therapies with TUOYI® in multiple indications as well as the upgrade of production capacity of commercial production batches of the Company's production base, the domestic sales of TUOYI® would recover progressively and begin to enter a positive cycle.

- In order to optimize the capital structure, focus more on the development of the principal business, improve operating efficiency, increase our investment in technology R&D, and better serve technological innovation, we have carried out the following financing activities:

  — In June 2021, we successfully allotted and issued an aggregate of 36,549,200 new H Shares at the placing price of HK$70.18 per H Share to not less than six placees (the "**Placing**"). The net cash inflow from the Placing is approximately RMB2,105 million. The proceeds from the Placing are intended to be used 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.

  — In December 2021, JunTop Biosciences implemented the series A financing, with 14 series A investors subscribing for the new registered capital of JunTop Biosciences at a total consideration of RMB1.275 billion. The proceeds will be used to finance the R&D and production of vaccine and anti-infective drug pipelines of JunTop Biosciences.

HIGHLIGHTS

From the end of the Reporting Period to the date of this announcement, we have also made several significant progress in product R&D and commercial operations, including:

- Product R&D
  - In February 2022, the dosing of the first patient was completed in the Phase III clinical trial of TUOYI® in combination with standard chemotherapy as the adjuvant treatment after radical resection of gastric or esophagogastric junction adenocarcinoma (JUPITER-15 study, NCT05180734).
  - In March 2022, the marketing of Junmaikang (君邁康®) (adalimumab) for the treatment of rheumatoid arthritis, ankylosing spondylitis and psoriasis was approved by the NMPA.
  - In March 2022, the IND application for JS105 (PI3K-α inhibitor) jointly developed by the Company and Risen Biosciences was accepted by the NMPA.
  - In March 2022, the IND application for JS116 (small molecule irreversible covalent inhibitor of $KRAS^{G12C}$) was accepted by the NMPA.
- Commercial operations
  - In January 2022, based on the Exclusive License and Commercialization Agreement we entered into with Coherus in February 2021, Coherus initiated the procedure for exercising the option of TAB006/JS006, one of the option programs, to be licensed to develop TAB006/JS006 or any product containing TAB006/JS006 in the Coherus Territory for the treatment or prevention of human disease. Coherus made an one-off exercise payment of US$35 million to us, and will pay up to an aggregate of US$255 million upon reaching the corresponding milestones, plus 18% royalty on the annual net sales of any product that contains TAB006/JS006 in the Coherus Territory.
  - In March 2022, we entered into the Licensing and Cooperation Agreement with Wigen Biomedicine to introduce four small molecule anti-tumor drugs, namely JS120 (second-generation irreversible IDH1 inhibitor), JS121 (SHP2 inhibitor), JS122 (second-generation irreversible FGFR2 selective inhibitor) and JS123 (ATR inhibitor), thus further enriching our pipeline layout in the field of cancer treatment.
  - In March 2022, Junshi Biotechnology, our wholly-owned subsidiary, passed the GMP compliance inspection for drugs, indicating that the Lingang Production Base fully met the conditions to formally produce commercial batches of TUOYI®. The Lingang Production Base in Shanghai was constructed in accordance with the CGMP standard, with a production capacity of 30,000L in the first phase of the project. By virtue of economies of scale, the expansion of production capacity brought by the Lingang Production Base in Shanghai will enable the Company to gain the advantage of a more competitive production cost.
  - In March 2022, the Board of Directors approved a proposal to issue no more than 70 million A Shares to target subscribers under the General Mandate. The proceeds are expected to be no more than RMB3.98 billion, which will be used for R&D projects of innovative drugs and our headquarters and R&D base project. The issuance is still subject to the approval of the Shareholders at the EGM, the approval of the Shanghai Stock Exchange and the approval of registration from the China Securities Regulatory Commission.

HIGHLIGHTS

IFRS

	For the year ended 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021 RMB'000**
Operating results					
Revenue	1,148	934	775,089	1,594,897	**4,024,841**
Gross Profit	702	667	684,405	1,222,366	**2,766,654**
Loss for the year from continuing operations	(320,802)	(716,500)	(744,233)	(1,665,639)	**(728,181)**
Total comprehensive expense for the year	(326,915)	(714,593)	(741,055)	(1,687,567)	**(718,579)**
Total comprehensive expense for the year attributable to:					
Owners of the Company	(326,688)	(714,654)	(740,744)	(1,687,567)	**(718,557)**
Non-controlling interests	(227)	61	(311)	–	**(9,624)**
Loss per share					
From continuing and discontinued operations					
Basic (RMB yuan)	(0.55)	(1.19)	(0.95)	(2.02)	**(0.80)**
Diluted (RMB yuan)	N/A	(1.19)	(0.95)	(2.02)	**(0.80)**

	At 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021 RMB'000**
Financial position					
Non-current assets	708,703	1,347,126	2,511,324	3,312,147	**5,218,981**
Current assets	511,006	2,910,184	1,911,116	4,698,717	**5,831,739**
Total assets	1,219,709	4,257,310	4,422,440	8,010,864	**11,050,720**
Non-current liabilities	41,815	465,112	828,548	677,022	**701,903**
Current liabilities	58,560	471,065	605,376	1,492,582	**2,016,635**
Total liabilities	100,375	936,177	1,433,924	2,169,604	**2,718,538**
Net assets	1,119,334	3,321,133	2,988,516	5,841,260	**8,332,182**

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

HIGHLIGHTS

PRC GAAP

	For the year ended 31 December				
	2017	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results*					
Revenue	54,500	2,928	775,089	1,594,897	**4,024,841**
Gross Profit	48,373	(1,269)	677,105	1,214,645	**2,773,235**
Loss for the year	(317,571)	(722,854)	(747,729)	(1,668,607)	**(730,534)**
Total comprehensive expense for the year	(326,915)	(721,582)	(744,550)	(1,690,536)	**(720,932)**
Loss per share					
From continuing and discontinued operations					
Basic (RMB yuan)	(0.55)	(1.21)	(0.96)	(2.03)	**(0.81)**
Diluted (RMB yuan)	N/A	N/A	N/A	(2.03)	**(0.81)**

	At 31 December				
	2017	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial position					
Non-current assets	704,380	1,340,137	2,500,838	3,298,693	**5,190,020**
Current assets	515,328	2,910,184	1,911,116	4,698,717	**5,844,891**
Total assets	1,219,708	4,250,321	4,411,954	7,997,410	**11,034,911**
Non-current liabilities	41,815	465,111	855,700	697,140	**717,084**
Current liabilities	58,560	471,067	578,225	1,472,464	**2,001,453**
Total liabilities	100,375	936,178	1,433,925	2,169,604	**2,718,537**
Net assets	1,119,333	3,314,143	2,978,029	5,827,806	**8,316,374**

Operating results* include non-continuous operation results.

CHAIRMAN'S STATEMENT

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

In 2021, under the long-standing attention and support from all sectors of the community, Junshi has been centering on the long-term goal of fulfilling the unmet clinical needs through innovation and internationalization, and overcame numerous difficulties and challenges. At the same time, Junshi has also made substantial progress.

Being an innovative pharmaceutical company with great sense of social responsibility, we have joined the force in fighting against the pandemic at the early stage. With the escalation of the global pandemic, we established strategic cooperation with Lilly to cure more COVID-19 patients. Globally, we facilitated the development of etesevimab, a neutralizing antibody for COVID-19, thus contributing to the global fight against the pandemic and health industry as a representative from China. Etesevimab and bamlanivimab administered together has been granted EUA in more than 15 countries and regions around the world, and more than 700,000 patients have received etesevimab and bamlanivimab administered together or bamlanivimab treatment, potentially preventing more than 35,000 hospitalizations and at least 14,000 deaths during the worst period of the pandemic. In addition to the development of etesevimab, at present, we have developed R&D pipelines for several neutralizing antibodies and small molecule oral drugs for COVID-19. In respect of small molecule oral drugs, the Phase III clinical study of VV116, the first oral nucleoside anti-COVID-19 drug, is currently in progress in multiple centers around the world. The application for clinical trial for VV993, a new oral anti-COVID-19 drug candidate targeting 3CL protease, is about to be submitted. VV116 and VV993 are drugs or drug candidates developed for different key and conserved targets in the virus life cycle. Apart from being able to be used individually to exhibit their respective clinical advantages or characteristics, they also have the potential of being used in combination with antiviral drugs to complement each other and deliver satisfactory efficacy. We will continue to make every effort in solving the urgent unmet clinical needs for eliminating the pandemic as soon as possible, and contribute more innovative elements from China to the fight against the pandemic.

Our achievements in promoting innovation and internationalization are not solely limited to our results in fighting against the pandemic. In 2021, we collaborated with Coherus in relation to the operation of TUOYI® in North America. Leveraging on the mature commercial operation capability of Coherus in North America, we look forward to realize our vision of bringing Chinese innovative drugs to the international market and benefitting patients across the world. Meanwhile, the BLA of TUOYI® for nasopharyngeal cancer indication was accepted by the FDA, and was granted BTD and priority review. We have stepped closer to commercialization in the overseas market, and have brought new treatment option for unmet clinical demands in the overseas market.

2021 marked the first year of the implementation of new prices following the inclusion of TUOYI®, our first commercialized product, in the NRDL. Despite Junshi, being a relatively new enterprise, encountered some difficulties in its path towards commercialization, the successful inclusion of TUOYI® in the NRDL has greatly improved the affordability for patients in China. In respect of expansion of indications of TUOYI®, we also fully pushed forward indication expansion, especially the prospective layout of clinical study on preoperative indications. We have conducted over 30 clinical studies covering more than 15 indications across the world. From 2022, we gradually enter the booming stage of gradual release of Phase III data of TUOYI® on large indications, first-line indications and preoperative indications or submission of marketing applications. The continuous development of registered clinical studies also offers huge support for subsequent commercialization and promotion.

CHAIRMAN'S STATEMENT

In addition to the steady development of anti-pandemic pipelines and TUOYI® in cancer immunotherapy, we also have a number of products under our pipelines that are ready to be launched. In 2021, we successfully pushed forward the development of over 10 innovative drugs from pre-clinical development stage to clinical trial stage. Those innovative drugs include IL-21, CD112R (PVRIG) and other innovative drugs on potential targets. As those innovative drugs enter into clinical stage, our post-research product pipelines will be further expanded, thus achieving synergy effects on various treatment fields and drug types. In addition, the clinical trial for TAB004/JS004 (anti-BTLA monoclonal antibody), our first "global brand new" product, is concurrently progressing in China and the U.S.. The product was introduced at an international academic meeting held in 2022, and its early stage clinical data was also released at the meeting.

In order to focus more on the development of the principal business, improve operating efficiency, increase the Company's investment in technology R&D and better serve technological innovation, we have completed H share refinancing in 2021. We believe that sufficient cash balance can provide huge support for the R&D of the Company, expansion of production facilities and the increasing demands for international multi-center clinical trials, as well as offer great flexibility and risk aversion capability to us in case of changes in macroeconomy and industry environment. At present, we have established more than 51 product pipelines for drug candidates, covering five major therapeutic areas, as well as various drug types such as monoclonal antibody, small molecule drug, antibody drug conjugate (ADCs), bifunctional fusion protein and cancer treatment.

On behalf of the Group, I would like to express my heartfelt gratitude to all patients, investors and business partners for their continual support and trust, as well as all employees of the Group for their dedication, efforts and contributions made in the past year. My colleagues and I will continue to carry the expectations of all investors, push forward our development in line with market trend, exploit our competitive advantages, and strive for the blueprint of China's domestic biopharmaceutical innovation. We look forward to coming together with more investors to witness the opportunities for the rise of the biopharmaceutical industry in China, and creating values for investors.

Xiong Jun
Chairman

31 March 2022

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 through ways of original innovation and co-development, we have successfully developed a drug candidate portfolio with tremendous market potential. Multiple products have milestone significance: one of our core products, toripalimab (JS001, trade name: 拓益® (TUOYI®)), was the first domestic anti-PD-1 monoclonal antibody approved to be marketed in China by the NMPA for the treatment of locally advanced or metastatic melanoma after standard therapy failure, the treatment for recurrent/metastatic NPC after failure of second-line and above systemic treatment, the treatment of patients with locally advanced or metastatic UC who failed platinum-containing chemotherapy or progressed within 12 months of neoadjuvant or adjuvant platinum-containing chemotherapy, and in combination with cisplatin and gemcitabine as the first-line treatment for patients with locally recurrent or metastatic NPC, ongericimab and UBP1213 were the first anti-PCSK9 monoclonal antibody and anti-BLyS monoclonal antibody, respectively, from a Chinese domestic company that had received IND approval from the NMPA; TAB004/JS004 was the world's first-in-human anti-BTLA monoclonal antibody independently developed by the Company, which has obtained clinical trial approvals from the FDA and NMPA and is currently undergoing several Phase Ib/II clinical trials in China and the United States. We also worked together with domestic scientific research institutions to fight against the COVID-19 pandemic, and co-developed etesevimab, the first anti-SARS-CoV-2 monoclonal neutralizing antibody that commenced clinical trials in China. As of the end of the Reporting Period, etesevimab and bamlanivimab administered together has been granted the EUA in more than 15 countries and regions around the world. In addition, the Company's co-developed oral nucleoside anti-SARS-CoV-2 drug VV116 has entered the international multi-center registered Phase III clinical trial stage. We will continuously contribute to the global fight against the epidemic as a representative from China with domestic innovation.

With our continuously enriched product pipeline and our further exploration of drug combination therapies, our innovation field has continued to expand to R&D of more types of drugs, 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 for cancer and autoimmune diseases.

As of the date of this announcement, the COVID-19 pandemic has brought challenges to our overall operations to a certain extent. In the face of a public health crisis, we quickly took pandemic prevention measures to protect the safety of our employees and ensure medication supply for patients. Moreover, we made various major achievements in the business operations as well as the development of drug candidates of the Company, which are summarized as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

Domestic commercialization of TUOYI® is progressing steadily, with greater scope of indications included in the NRDL, and phased external cooperation completing its historical mission.

Despite the general environment where the global economy was affected by COVID-19 pandemic with great volatility, we were able to maintain uninterrupted production and supply of TUOYI® for patients. Our Commercial and Market Access team has also been accelerating the entry of TUOYI® into the hospital channels, expanding the coverage in core cities and markets, and strengthening the establishment of product brand image, so as to enhance the recognition of TUOYI® brand among doctors and patients, and support the further growth of TUOYI® sales. Through the urban commercial insurance across the country, out-of-pocket expenses on the indications of TUOYI® that have been included in the NRDL were entitled to supplementary reimbursement under the NRDL in 102 cities. The newly approved nasopharyngeal cancer indication for first-line treatment in November 2021 has been included in the medical insurance catalogues in 11 cities, for which supplementary medical insurance could be obtained in 51 cities, thus reducing the burden on patients.

In February 2021, TUOYI® was granted conditional marketing approval by the NMPA for the treatment of patients with recurrent or metastatic NPC after failure of at least two lines of prior systemic therapy. In April 2021, TUOYI® was granted conditional marketing approval by the NMPA for the treatment of patients with locally advanced or metastatic UC who failed platinum-containing chemotherapy or progressed within 12 months of neoadjuvant or adjuvant platinum-containing chemotherapy. In July 2021, the sNDA for TUOYI® in combination with platinum-containing chemotherapy as the first-line treatment for patients with locally advanced or metastatic ESCC was accepted by the NMPA. In November 2021, the sNDA for TUOYI® in combination with cisplatin and gemcitabine as the first-line treatment for patients with locally recurrent or metastatic NPC was approved by the NMPA. In December 2021, the sNDA of TUOYI® in combination with standard first-line chemotherapy for untreated, driver-negative advanced NSCLC was accepted by the NMPA. The successive approvals for marketing of new indications and the acceptance of sNDA will greatly enhance our competitiveness in commercialization in the domestic PD-1 market.

Furthermore, in 2021, TUOYI® continued to be included in Category B of the 2021 NRDL. Two indications of the treatment of patients with recurrent or metastatic NPC after failure of at least two lines of prior systemic therapy as well as the treatment of patients with locally advanced or metastatic UC who failed platinum-containing chemotherapy or progressed within 12 months of neoadjuvant or adjuvant platinum-containing chemotherapy, were added, which filled the gaps in immunotherapy for patients with advanced NPC and non-selective patients with advanced UC in the NRDL, and became the only anti-PD-1 monoclonal antibody used in the treatment of melanoma and NPC in the NRDL.

In February 2021, we commenced commercialization cooperation with AstraZeneca Pharmaceutical. We granted AstraZeneca Pharmaceutical the exclusive promotion right of TUOYI® for the urinary cancer indications to be approved subsequently in mainland China and the exclusive promotion right for all indications approved and to be approved in non-core urban areas, while we continued to be responsible for the promotion of indications approved and to be approved excluding urinary cancer indications in core urban areas (the "**Promotion Cooperation**"). With the extensive pipeline network that AstraZeneca has accumulated in China for many years. The Promotion Cooperation has offered support for the promotion work in broadening the market of TUOYI® to a certain extent. As our self-built commercialization team becomes more mature, more indications of TUOYI® have been included in the NRDL. To better implement our promotion strategy for product commercialization in the next development stage and actively respond to the future market competition pattern, upon an amicable negotiation, we and AstraZeneca mutually terminated the Promotion Cooperation on 31 December 2021. The Company's commercialization team will continue to be responsible for all promotion activities of TUOYI® in mainland China and strengthen promotion in non-core urban areas.

MANAGEMENT DISCUSSION AND ANALYSIS

The clinical trial progress of core drug candidates in China and overseas has been accelerated, the marketing authorization application for the nasopharyngeal cancer indication of TUOYI® was submitted in the United States, which targets unmet medical needs, and our clinical data received authoritative international recognition.

Over 30 clinical studies covering more than 15 indications in respect of TUOYI® have been conducted in China, the United States and other countries. Among all pivotal registrational clinical studies of TUOYI® currently in progress, in addition to the extensive layout for the first-line treatment of multiple tumor types, we have also actively deployed the perioperative adjuvant/neoadjuvant treatments for lung cancer, liver cancer, gastric cancer, esophageal cancer and other indications to promote the application of cancer immunotherapy in the early treatment of cancer patients. With respect to overseas clinical trials, TUOYI® has been granted 2 breakthrough therapy designations, 1 fast track designation, 1 priority review designation and 4 orphan-drug designations by the FDA for the treatment of mucosal melanoma, NPC, esophageal cancer and soft tissue sarcoma.

Existing treatments for recurrent or metastatic NPC are very limited. In response to this unmet medical need, we officially initiated the rolling submission of BLA for TUOYI® to the FDA for the treatment of recurrent or metastatic NPC in March 2021, and was accepted for a rolling review by the FDA. TUOYI® has become the first domestic anti-PD-1 monoclonal antibody to submit a BLA to the FDA. In August 2021, TUOYI® in combination with gemcitabine and cisplatin for the first-line treatment for patients with advanced recurrent or metastatic NPC was granted a BTD by the FDA. This second BTD broadens the scope of FDA's recognition of TUOYI® potential application for the treatment of NPC, and will speed up FDA's evaluation of related indications. We completed the rolling submission of BLA for the indication of TUOYI® in combination with chemotherapy for the first-line treatment of recurrent or metastatic NPC, and the indication of TUOYI® monotherapy for second or third line recurrent or metastatic NPC in September 2021. At the end of October 2021, the BLAs mentioned above were accepted by the FDA. According to the acceptance letter, the FDA has granted priority review designation for the BLAs and indicated that it does not plan to hold an advisory committee meeting for the BLAs. The PDUFA date is set in April 2022.

At the annual meeting of the ASCO (ASCO 2021) held in June 2021, a total of 39 studies related to TUOYI® were presented, including an oral report at the general meeting, an oral report at the special session, 15 poster presentations and a number of online abstracts, covering more than 10 tumor types including nasopharyngeal cancer, head and neck cancer, melanoma, lung cancer, gastric cancer, esophageal cancer, liver cancer, cholangiocarcinoma and pancreatic cancer. In particular, at ASCO 2021, the latest results of a study on TUOYI® in combination with chemotherapy for the first-line treatment of recurrent or metastatic NPC (JUPITER-02 study, #LBA2) were published in the form of Late-breaking Abstract ("**LBA**") of the general meeting.

Our recombinant humanized anti-BTLA monoclonal antibody (TAB004/JS004), another core drug candidate, is undergoing several clinical trials in combination with TUOYI® in China and the United States, which is hoped to be able to exert a synergistic antitumor effect. We believe that the combination of the two is a promising antitumor treatment strategy, which is expected to increase patients' response to cancer immunotherapy and expand the range of potential beneficiaries. As of the date of this announcement, there is no other disclosed anti-tumor product with the same target that has entered into the clinical trial stage domestically or overseas.

MANAGEMENT DISCUSSION AND ANALYSIS

Carried out in-depth planning in the field of anti-infection treatment and contributed to the world's anti-pandemic efforts with domestic innovation.

In the face of the pandemic, we have rapidly developed numerous innovative drugs for the treatment of COVID-19 in cooperation with our partner by leveraging our technological accumulation, and actively undertook the social responsibility of Chinese biopharmaceutical companies.

Etesevimab: In early 2020, we jointly developed etesevimab with the IMCAS. Lilly introduced from the Company the rights and interests of etesevimab outside the Greater China Region (including mainland China, Hong Kong, Macau and Taiwan), and we continued to lead the development of the drug in the Greater China Region. In February 2021, the FDA granted Lilly the EUA for etesevimab and bamlanivimab administered together for the treatment of patients with mild to moderate COVID-19 aged 12 and above who were at high risk for progressing to severe COVID-19 and/or hospitalization. In September 2021, the FDA granted the EUA for etesevimab and bamlanivimab administered together for the application of treatment for high-risk individuals aged 12 and above who have not been fully vaccinated against COVID-19 or are not expected to be able to develop an adequate immune response after completing vaccination, and have been exposed to others infected with SARS-CoV-2 or who are at high risk of exposure in an institutional setting, including a nursing homes or prisons. In December 2021, the scope of EUA was extended to include treatment and post-exposure prevention of mild to moderate COVID-19 for specific high-risk pediatric population (from infant to child aged under 12). As of the end of the Reporting Period, etesevimab and bamlanivimab administered together has been granted the EUA in more than 15 countries and regions around the world, and more than 700,000 patients have received etesevimab and bamlanivimab administered together or bamlanivimab treatment, potentially preventing more than 35,000 hospitalizations and at least 14,000 deaths during the worst period of the pandemic. We have reached all the milestones agreed in the agreement regarding the overseas authorization of etesevimab to Lilly. Related license income was recognised during the Reporting Period.

VV116 (JT001): In September 2021, JunTop Biosciences partnered with Vigonvita to jointly undertake the clinical development and industrialization of VV116, an oral nucleoside anti-SARS-CoV-2 drug, in the collaboration territory, being the whole world except for the following four territories, namely the five Central Asian countries, Russia, North Africa and the Middle East. As at the date of this announcement, VV116 is approved for the treatment of moderate to severe COVID-19 patients in Uzbekistan (not within the collaboration territory). We have completed three Phase I clinical research on healthy Chinese subjects. The results of the research were published in Acta Pharmacologica Sinica, a renowned journal in the pharmaceutical field, which demonstrated that VV116 exhibited satisfactory safety and tolerability in healthy subjects, was rapidly absorbed orally, could be administered orally under fasting or normal diet conditions, and it has been suggested to explore two doses of 200 mg to 600 mg per day in subsequent clinical studies. We are conducting an international multi-center, randomized, double-blind Phase III clinical study to evaluate the efficacy and safety of VV116 versus standard therapy in moderate-to-severe COVID-19 subjects, and have completed the enrollment and dosing of the first patient. In addition, for mild to moderate COVID-19, the Company has also initiated an international multi-center, double-blind, randomized, placebo-controlled, Phase II/III clinical study (NCT05242042) to evaluate the efficacy, safety and pharmacokinetics of VV116 for early treatment of patients with mild to moderate COVID-19. The study has completed the enrollment and dosing of the first patient at Shanghai Public Health Clinical Center* (上海市公共衛生臨床中心), and is in progress in multiple centers around the world.

MANAGEMENT DISCUSSION AND ANALYSIS

VV993 (JT003): JunTop Biosciences partnered with Vigonvita to jointly undertake the research, production and commercialization of VV993, a new oral anti-SARS-CoV-2 drug candidate targeting 3CL protease, in the collaboration territory. VV116 and VV993 are drugs or drug candidates developed for different key and conserved targets in the virus life cycle. Apart from being able to be used alone to exhibit their respective clinical advantages or characteristics, they also have the potential of being used in combination with antiviral drugs to complement each other and deliver satisfactory efficacy. The project is currently in the preclinical development stage, and we will rapidly advance VV993 to the clinical stage with a view to solving the unmet clinical needs as soon as possible and contribute more innovative elements from China to the fight against the pandemic.

Commenced collaborations with leading global pharmaceutical companies on numerous products in various formats, and joined hands with outstanding domestic mRNA startup companies to jointly plan for the cutting-edge technology fields.

As of the date of this announcement, we achieved two collaborations of strategic significance at the levels of corporate strategy and product cooperation in our business expansion, taking another important step towards the strategic goal of "in China, for global". In February 2021, we entered into the Exclusive License and Commercialization Agreement with Coherus on the development and commercialization of our self-developed TUOYI® and two option programs in the Coherus Territory. Pursuant to the terms of the agreement, we granted Coherus an exclusive license for TUOYI® in the Coherus Territory. We could receive an upfront fee, exercise of option programs payment (if Coherus exercises its options) and milestone payments of up to US$1.11 billion in aggregate, together with royalties of 20% of the annual net sales of TUOYI® (toripalimab) products in the licensed areas. During the Reporting Period, Coherus made an one-off upfront payment of US$150 million to the Company. In January 2022, pursuant to the Exclusive License and Commercialization Agreement, Coherus initiated the procedure to exercise one of the option programs, being the recombinant humanized anti-TIGIT monoclonal antibody (project code: TAB006/JS006), in order to obtain the license for development of TAB006/JS006 or any products containing TAB006/JS006 for treatment or prevention of human diseases. Coherus made an one-off exercise payment of US$35 million to the Company. After achieving corresponding milestone events, Coherus will pay an aggregate of US$255 million for milestone payments, plus 18% royalty on the annual net sales of any product that contains TAB006/JS006 in the Coherus Territory. The collaboration with Coherus will become an important part of our expansion of the global commercialization network. We look forward to continuing to work closely with Coherus to establish the market position of TUOYI® in the Coherus Territory, and facilitate the development and commercialization of TAB006/JS006 as soon as possible, joining hands to provide global patients with better efficacy treatment options, and explore and solve unmet clinical needs. Going forward, we will continue to explore global opportunities for our drug candidates with appropriate R&D plans, clinical development and commercialization activities.

In addition to overseas cooperation, during the Reporting Period, we entered into an agreement with Immorna, a domestic company, with respect to the establishment of a joint investment company. Pursuant to the agreement, the Company will make capital contribution in cash and own 50% of the equity interest. Immorna will invest with the intellectual property rights involved in the mRNA technology platform, and own 50% of the equity interest. The joint investment company will mainly engage in the R&D, clinical research, application for approval, production and commercialization of product development projects in the fields of tumors, infectious diseases, rare diseases and other diseases agreed by both parties on the mRNA technology platform globally. The establishment of the joint investment company can complement each party's technological advantages to capitalize on the strengths of the mRNA general platform technology in tumor immunotherapy, infectious disease prevention and other fields in a more efficient manner, and continuously explore new directions of application. From here, we have also expanded the field of drug R&D to the field of mRNA technology.

MANAGEMENT DISCUSSION AND ANALYSIS

Sped up new drug development, broadened and diversified the drug candidate pipelines through various means.

As of the date of this announcement, our innovative R&D field has expanded from monoclonal antibodies to the development of various 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 5 major therapeutic areas including malignant tumors, autoimmune diseases, chronic metabolic diseases, neurologic diseases and infectious diseases. In particular, there were 3 assets (toripalimab, etesevimab and adalimumab) under commercialization, 23 assets under clinical trials (in particular, ongericimab, VV116, bevacizumab and PARP inhibitor were under Phase III clinical trials), and over 25 drug candidates under pre-clinical drug development. From the beginning of the Reporting Period to the date of this announcement, the Company's products TAB006/JS006 (recombinant humanized anti-TIGIT monoclonal antibody), JS110 (XPO1 inhibitor), JS111 (EGFR exon20 insertion and other uncommon mutation inhibitor), JS201 (anti-PD-1/TGF-β bifunctional fusion protein), JS103 (pegylated uricase derivative), JS007 (recombinant humanized anti-CTLA-4 monoclonal antibody), JS014 (recombinant IL-21 – a nanobody fusion protein of anti-human serum albumin (HSA)), UBP1213sc (recombinant humanized anti-B lymphocyte stimulator (BLyS) monoclonal antibody), JS026 (recombinant fully human monoclonal antibody for treatment of COVID-19), JS012 (recombinant human anti – Claudin18.2 monoclonal antibody), JS019 (recombinant fully human anti-CD39 monoclonal antibody), JS107 (recombinant humanized anti-Claudin18.2 monoclonal antibody-MMAE conjugate), JS001sc (subcutaneous injection preparation developed based on TUOYI®), JS112 (Aurora A inhibitor) obtained IND approval from NMPA or FDA to enter clinical trial stage. We plan to push forward more early-stage development projects in our pipeline to the clinical stage in 2022. Meanwhile, our clinical team will also continue to promote the drug candidates that have obtained IND approval to enter the next stage of clinical development.

Retained and expanded talent pool.

As at the end of the Reporting Period, the Group expanded to 2,805 employees, among which 896 employees are responsible for R&D of drugs, 846 employees are responsible for product commercialization, 742 employees are responsible for production, and the remaining employees are responsible for finance, administration, IT, human resources and other supporting work. We attach importance to the attraction and development of various outstanding talents. We further improve our compensation system by establishing salary ranks and bands, combining competitiveness, motivation and fairness. We have also implemented an optimized performance management system across the Group, using scientific management tools 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 the 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 Group in continuously advancing numerous innovative drugs from R&D to commercialization.

MANAGEMENT DISCUSSION AND ANALYSIS

Optimized the capital structure of the Company, emphasized ESG management and continuously enhanced corporate governance.

In order to focus more on the development of the principal business, improve operating efficiency, increase our investment in technology R&D, and better serve technological innovation, during the Reporting Period, an aggregate of 36,549,200 new H Shares have been successfully allotted and issued by us at the placing price of HK$70.18 per H Share to not less than six placees. The net cash inflow from the Placing is approximately RMB2,105 million. The proceeds from the Placing are intended to be used toward the R&D of drugs and pipeline expansion, expansion of the commercialization team, domestic and overseas investment, mergers and acquisitions, business development, and general corporate purposes. In December 2021, JunTop Biosciences implemented its series A financing, with 14 series A investors subscribing for the new registered capital of JunTop Biosciences at a total consideration of RMB1.275 billion. The proceeds will be used to finance the R&D and production of vaccine and anti-infective drug pipelines of JunTop Biosciences.

As at the end of the Reporting Period, the Group had cash and cash equivalents of approximately RMB3,505 million. In March 2022, the Board passed a resolution and proposed to issue no more than 70 million A Shares to target subscribers, and the total proceeds are expected to be no more than RMB3,980.00 million (please refer to "Subsequent Events After The Reporting Period" for further details). We believe that a sufficient cash balance will provide strong support for our R&D, production facility expansion and the increasing needs of international multi-center clinical trials, as well as great flexibility the ability to resist risks in the face of changes in the macroeconomic and industry environment.

Since February 2021, the A Shares and H Shares of the Company have been included in Northbound Trading under Shanghai-Hong Kong Stock Connect and the Stock Connect Southbound Trading, respectively. Since March 2021, the Company's A Shares have been included in the STAR 50 index and the FTSE Global Equity Index, while the Company's H Shares have been included in the Hang Seng Composite Index, the Hang Seng SmallCap Index, the Hang Seng Healthcare Index, the Hang Seng Stock Connect Hong Kong Index and the Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index. Since September 2021, the A Shares of the Company has be included in the MSCI China A Onshore Index. The Company has been rated by major domestic and international ESG rating agencies, of which Wind ESG and Sino-Securities Index granted the Company a rating of "A" and "AA" respectively.

PRODUCT PIPELINE

Our products concentrate on self-developed biological products with original innovation. At the same time, through co-development, jointly formed companies, license-in and other means, we introduced products 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 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 5 major therapeutic areas including malignant tumors, autoimmune diseases, chronic metabolic diseases, neurologic diseases and infectious diseases. As of the date of this announcement, there were a total of 3 assets (toripalimab, etesevimab and adalimumab) under commercialization, 23 assets under clinical trials (in particular, PARP inhibitor, ongericimab, bevacizumab and VV116 were under Phase III clinical trials) and over 25 drug candidates under pre-clinical drug development.

R&D Progress of Toripalimab

Therapeutic Areas	Medicine Codes	Clinical Trial Number	Indications	Pre Clinical / Phase I / Phase II / Phase III / NDA	Locations of Clinical Trial	Note
Oncology	JS001 Toripalimab	NCT03013101	Melanoma (second-line treatment, monotherapy)	NMPA approved on 17 December 2018	China	
		NCT02915432	Nasopharyngeal carcinoma (third-line treatment, monotherapy)	NMPA approved in February 2021, FDA BLA accepted	China	FDA Breakthrough Therapy Designation, Orphan Drug Designation, Priority Review
		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, FDA BLA accepted	International multi-center	FDA Breakthrough Therapy Designation, Priority Review
		NCT03829969	Esophageal squamous cell carcinoma (first-line treatment, combo with chemo)	NDA accepted	China	FDA Orphan Drug Designation
		NCT03856411	EGFR negative non-small cell lung cancer (first-line treatment, combo with chemo)	NDA accepted	China	
		NCT03924050	EGFR mutated TKI failed terminal stage non-small cell lung cancer (combo with chemo)	Pivotal registered clinical trial	China	
		NCT04772287	Non-small cell lung cancer (neoadjuvant)	Pivotal registered clinical trial	China	
		NCT04012606	Small cell lung cancer (first-line treatment, combo with chemo)	Pivotal registered clinical trial	China	Completed subjects enrollment
		NCT04848753	Esophageal squamous cell carcinoma (neoadjuvant)	Pivotal registered clinical trial	China	
		NCT03430297	Melanoma (first-line treatment, monotherapy)	Pivotal registered clinical trial	China	
		NCT04085276	Triple negative breast cancer (combo with albumin-bound paclitaxel)	Pivotal registered clinical trial	China	
		NCT04523493	Hepatocellular carcinoma (first-line treatment, combo with lenvatinib)	Pivotal registered clinical trial	International multi-center	
		NCT04723004	Hepatocellular carcinoma (first-line treatment, combo with bevacizumab)	Pivotal registered clinical trial	International multi-center	Completed subjects enrollment
		NCT03859128	Hepatocellular carcinoma (adjuvant)	Pivotal registered clinical trial	China	Completed subjects enrollment
		NCT02915432	Gastric carcinoma (third-line treatment, monotherapy)	Pivotal registered clinical trial	China	
		NCT04394975	Renal cell carcinoma (first-line treatment, combo with axitinib)	Pivotal registered clinical trial	China	
		NCT04568304	Urothelial carcinoma (first-line treatment, PD-L1+)	Pivotal registered clinical trial	International multi-center	
		NCT05180734	Adenocarcinoma of the stomach or gastroesophageal junction (adjuvant)	Pivotal registered clinical trial	International multi-center	
		/	Mucosal melanoma (combo with axitinib)		United States	FDA Fast Track Designation, Orphan Drug Designation; NMPA Breakthrough Therapy Designation
		NCT03474640	Sarcoma		United States	FDA Orphan Drug Designation

R&D Pipelines Covering a Wide Variety of Therapeutic Areas

Pre Clinical			Phase I			Phase II	Phase III	Approved/ under review
JS011 Undisclosed Tumors	**JS113** EGFR 4th Gen Non-small cell lung cancer	**JS207** PD-1 +Undisclosed Tumors	**JS001sc** PD-1 Tumors	**JS019** CD39 Tumors	**JS112** Aurora A Small cell lung cancer	**JS004 (TAB004)** BTLA Lung cancer, Melanoma, etc.	**JS109** PARP Ovarian cancer	**Toripalimab** PD-1 Tumors
JS013 CD93 Tumors	**JS114** Nectin4 ADC Tumors	**JS209** CD112R+TIGIT Tumors	**JS003** PD-L1 Tumors	**JS101** Pan-CDK Breast cancer, etc.	**JS201** PD-1/TGF-β Tumors	**JS005** IL-17A Psoriatic, spondylitis	**Bevacizumab** VEGF Non-small cell lung cancer	**Adalimumab** TNF-α Rheumatoid arthritis
JS015 DKK1 Tumors	**JS115** BCMA ADC Multiple myeloma	**JS211** PD-L1+ Undisclosed Tumors	**JS006 (TAB006)** TIGIT Tumors	**JS107** Claudin18.2 ADC Gastrointestinal cancer	**JS103** Uricase Hyperuricacidemia		**Ongericimab** PCSK9 Hyperlipidemia	**Etesevimab*** S protein COVID-19
JS018 IL-2 Tumors	**JS116** KRAS Tumors	**JS008** Undisclosed	**JS007** CTLA-4 Lung cancer, melanoma	**JS108** Trop2 ADC Triple negative breast cancer	**UBP1213sc** BLyS Systemic lupus erythematosus		**JT001 (VV116)** RdRp COVID-19	
JS104 Pan-CDK Breast cancer, etc.	**JS203** CD3+CD20 Tumors	**JS401** Undisclosed (RNAi) Metabolic diseases	**JS012** Claudin 18.2 Gastric cancer	**JS110** XPO1 Multiple myeloma, etc.	**JS026** S protein COVID-19			
JS105 PI3K-α Breast cancer, renal cell carcinoma	**JS206** IL-2+PD-1 Tumors	**JS010** CGRP Migraine	**JS014** IL-21 Tumors	**JS111** EGFR exon 20 Non-small cell lung cancer				
JS120 IDH1 Tumors	**JS121** SHP2 Tumors	**JT003 (VV993)** 3CL protease COVID-19						
JS122 FGFR2 Tumors	**JS123** ATR Tumors	**JT109** Vaccine Zika virus						
JS009 (TAB009) CD112R/PVRIG Tumors								

Oncology **Metabolism**
Immunology **Neurologic**
Infectious disease **Approved**
JunTop Biosciences pipeline

*** Received Emergency Use Authorization from FDA**

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our Products Under Commercialization

TUOYI® (toripalimab)

- *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 field of national patents, 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. On 17 December 2018, TUOYI® was granted a conditional approval from the NMPA for the treatment of patients with unresectable or metastatic melanoma. In February 2021, TUOYI® was granted conditional marketing approval by the NMPA for the treatment of patients with recurrent or metastatic NPC after failure of at least two lines of prior systemic therapy. In April 2021, TUOYI® was granted conditional marketing approval by the NMPA for the treatment of patients with locally advanced or metastatic UC who failed platinum-containing chemotherapy or progressed within 12 months of neoadjuvant or adjuvant platinum-containing chemotherapy. In July 2021, sNDA for TUOYI® in combination with platinum-containing chemotherapy as the first-line treatment for patients with locally advanced or metastatic ESCC was accepted by the NMPA. In November 2021, TUOYI® in combination with cisplatin/gemcitabine as the first-line treatment for patients with local relapsed or metastatic NPC obtain marketing approval from the NMPA. In December 2021, sNDA for TUOYI® in combination with standard first-line chemotherapy for untreated and driver-gene negative advanced NSCLC was 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「CSCO」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》） and others.

In 2021, TUOYI® continued to be included in Category B of the NRDL, and was newly included into the scope of two indications, namely treatment of patients with relapsed/metastatic NPC who have failed previous second-line or higher systemic therapy, locally advanced or metastatic UC that has failed platinum-containing chemotherapy including neoadjuvant or adjuvant chemotherapy progressing within 12 months, and became the only anti-PD-1 monoclonal antibody drug for melanoma and nasopharyngeal cancer treatment in the NRDL, which filled the gaps in immunotherapy for patients with advanced NPC and non-selective advanced UC in the NRDL, and became the only anti-PD-1 monoclonal antibody used in the treatment of melanoma and NPC in the NRDL.

MANAGEMENT DISCUSSION AND ANALYSIS

The sales revenue of TUOYI® was RMB412 million for the year. After the official implementation of the 2020 NRDL in March 2021, the terminal pricing of TUOYI® products dropped by over 60% compared to the initial pricing in 2020. Moreover, after the continued inclusion in the 2021 NRDL and further price reduction of TUOYI® at the end of the Reporting Period, we compensated the price difference for the entire inventory of the distributors, which also had a certain impact on the recognition of product revenue for the current period. 2021 was also a relatively turbulent year for our commercialization team. Our team underwent several rounds of adjustment to chief commercial officers and sales forces, and jointly explored and worked with external partners on the promotion of TUOYI®. Due to the frequent restructuring of the team, the stability of team was greatly affected, and its execution ability has declined. As market activities were not executed in a stable manner, the effectiveness of market activities had declined, thus significantly affecting customers' confidence in cooperation. Given the above reasons and the increasingly intensive competition for commercialization of PD-1 products in the domestic market, although the sales volume of TUOYI® increased in 2021 under the circumstance that only niche indications were included in the NRDL and large indications for larger applicable population have not been approved for marketing, sales on a price-for-volume basis have yet to be achieved, leading to negative growth in sales revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

In November 2021, the Board of Directors of the Company agreed to appoint Mr. Li Cong as a co-chief executive officer of the Company to be fully responsible for the Company's commercialization-related work. As of the date of this announcement, the Company has completed the restructuring of the commercialization team, and Mr. Li Cong has completed the establishment and restoration of the regional marketing team and also increased the headcount of the core market personnel. In December 2021, after friendly negotiation, the Company withdrew the promotion rights as agreed in the agreement with AstraZeneca Pharmaceutical and the Company's commercialization team would be independently responsible for all promotion activities of TUOYI® in mainland China. Through the urban commercial insurance across the country, out-of-pocket expenses on the indications of TUOYI® that has been included in the NRDL were entitled to supplementary reimbursement under the NRDL in 102 cities. The newly approved nasopharyngeal cancer indication for first-line treatment in November 2021 has been included in the medical insurance catalogues in 11 cities, for which supplementary medical insurance could be obtained in 51 cities, thus reducing the burden on patients. As the Company recovered outsourced indications and wide-area marketing rights of TUOYI®, and TUOYI® for melanoma, nasopharyngeal cancer, and urothelial cancer indications has been successfully included in the NRDL, our team members have regained their confidence. The sales activities of TUOYI® in the domestic market have turned the corner and gradually returned to a normal level. A series of marketing campaign has commenced, aiming to reshape the market image of the Company and TUOYI®. Our team is confident that the Company can gain over 50% market share in the tumor fields covered by the indications that had been included in NRDL. With indications for other types of tumor being gradually approved for marketing, the Company would be able to gain its designated market share.

As an innovative drug company in the phase of rapid development, we are of the view that the setbacks we encountered on the journey to commercialization are temporary. As the construction of our commercialization team gradually becomes stable and orderly, more large indications of TUOYI® have completed the Phase III registration clinical trials and entered the commercial approval stage, the gradual realization of the prospective layout advantages of adjuvant and neoadjuvant therapies with TUOYI® in multiple indications as well as the upgrade of production capacity of commercial production batches of the Company's production base, the domestic sales of TUOYI® would recover progressively and begin to enter a positive cycle.

- *Milestones and achievements of clinical development*

Over 30 clinical studies covering more than 15 indications in respect of TUOYI® (toripalimab) have been conducted in China, the United States, Southeast Asia and Europe and other regions, involving new indications such as nasopharyngeal cancer, urothelial cancer, lung cancer, gastric cancer, esophageal cancer, liver cancer, and breast cancer. Among the pivotal registrational clinical studies, the Company has actively deployed perioperative adjuvant/neoadjuvant treatments for lung cancer, liver cancer, gastric cancer, esophageal cancer and other tumor types in addition to the extensive layout of TUOYI® for the first-line treatment of multiple tumor types.

MANAGEMENT DISCUSSION AND ANALYSIS

Progress of clinical trials in China:

- In February 2021, the sNDA for TUOYI® in combination with cisplatin and gemcitabine as the first-line treatment for patients with locally recurrent or metastatic NPC was accepted by the NMPA. In November 2021, such indication was approved by the NMPA. The sNDA is based on JUPITER-02 study (NCT03581786), which is a randomized, double-blind, placebo-controlled, international multi-center, Phase III clinical study as well as the world's largest Phase III clinical study for the checkpoint inhibitor combined with chemotherapy in the first-line treatment of recurrent or metastatic NPC. Based on the interim analysis of JUPITER-02 study, the IDMC determined that the primary endpoint has crossed the pre-defined efficacy boundary, and the results demonstrate that compared with the standard first-line treatment of gemcitabine/cisplatin, TUOYI® combined with gemcitabine/cisplatin as a first-line treatment for patients with recurrent or metastatic NPC can obtain better PFS, a higher objective response rate ("**ORR**") and a longer duration of response ("**DoR**"), and has good safety and tolerability. The median PFS was 11.7 and 8.0 months respectively. The 1-year PFS rates were 49.4% and 27.9%. Among all relevant subgroups including the subgroup of PD-L1 expression level, the improvement of PFS by the addition of TUOYI® was observed. The ORR of the TUOYI® group and the placebo group was 77.4% and 66.4% respectively, while the median DoR was 10.0 months and 5.7 months respectively. The study was published at the ASCO annual meeting convened in June 2021 by way of a Late-breaking Abstract (LBA) in the plenary session.

- In March 2021, TUOYI® was included in the BTD for the first-line treatment of advanced mucosal melanoma by the NMPA.

- In April 2021, the IDMC determined that TUOYI® in combination with paclitaxel/cisplatin as the first-line treatment for patients with advanced or metastatic ESCC has reached its pre-specified primary endpoints of PFS and OS at the interim analysis of a randomized, double-blind, placebo-controlled, multi-center, Phase III clinical study (JUPITER-06 study and NCT03829969). In July 2021, the sNDA for TUOYI® in combination with platinum-containing chemotherapy as the first-line treatment for patients with locally advanced or metastatic ESCC was accepted by the NMPA. Detailed clinical research data was announced at the European Society for Medical Oncology (ESMO) Congress 2021 held in September 2021. According to data announced by the congress, as of 22 March 2021, TUOYI® in combination with chemotherapy can significantly prolong the PFS of patients with ESCC, and can reduce the risk of disease progression or death by 42%. In addition, compared with chemotherapy alone, TUOYI® in combination with chemotherapy significantly prolonged the survival OS period of patients. The median OS was 17.0 months and 11.0 months respectively, with a prolonged period of up to 6 months.

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— In December 2021, the sNDA for TUOYI® in combination with standard first-line chemotherapy for the first-line treatment of untreated and driver-gene negative advanced NSCLC was accepted by NMPA. The sNDA is based on a randomized, double-blind, multi-center, Phase III clinical study ("**CHOICE-01 Study**") (NCT03856411). Clinical data from the CHOICE-01 Study was announced at the 2021 World Conference on Lung Cancer (WCLC) held in September 2021 and the 2022 ASCO Plenary Series held in March 2022. Based on the data of the relevant conferences, compared with solely chemotherapy, the use of TUOYI® in combination with chemotherapy for the first-line treatment of advanced non-small cell lung cancer without EGFR/ALK mutation can significantly prolong its median PFS, reduce the risk of disease progression by 51%, significantly prolong OS (immature vs 17.1 months), reduce risk of death by 31%, which is significantly beneficial to survival chance.

— During the Reporting Period, the enrollment of patients for the Phase III clinical study of TUOYI® in combination with etoposide plus platinum for the first-line treatment of patients with extensive-stage small cell lung cancer ("**SCLC**") (NCT04012606) was completed; the enrollment of patients for the Phase III clinical trial of TUOYI® as the adjuvant treatment after radical resection of locally advanced hepatocellular carcinoma ("**HCC**") (NCT03859128) was completed. The enrollment of patients for the Phase III random, open and multi-center clinical study of TUOYI® in combination with bevacizumab for the first-line treatment of advanced liver cell carcinoma versus sorafenib in terms of safety and effectiveness (NCT04723004) was completed. The dosing of the first patient was completed in the Phase III clinical study of TUOYI® in combination with standard chemotherapy as the adjuvant treatment after radical resection of adenocarcinoma of esophagogastric junction (NCT05180734).

International progress:

— TUOYI® has been granted 2 BTDs, 1 fast track designation, 1 priority review designation and 4 orphan-drug designations by the FDA for the treatment of mucosal melanoma, NPC, soft tissue sarcoma and esophageal carcinoma. The above designations were beneficial for the subsequent R&D, registration and commercialization of TUOYI® in the United States.

– the FDA also approved the IND application for an immediate Phase III clinical trial of TUOYI® in combination with axitinib for the first-line treatment of mucosal melanoma in January 2021.

— In February 2021, we entered into the Exclusive License and Commercialization Agreement with Coherus. The Company granted Coherus an exclusive license to develop, manufacture, commercialize, sell and otherwise develop TUOYI® in the Coherus Territory, and in consideration will receive a upfront payment of US$150 million as well as milestone payments up to an aggregate of US$380 million, plus 20% royalty on the annual net sales of any product that contains TUOYI® in the Coherus Territory.

- In March 2021, we initiated the rolling submission of BLA for TUOYI® to the FDA for the treatment of recurrent or metastatic NPC and was accepted for rolling review by the FDA. TUOYI® has become the first domestic anti-PD-1 monoclonal antibody to initiate a rolling submission of BLA to the FDA and be accepted for a rolling review. In August 2021, TUOYI® in combination with gemcitabine/cisplatin as the first-line treatment of patients with advanced recurrent or metastatic NPC was granted a BTD by the FDA. This second BTD broadens the scope of FDA's recognition of TUOYI®'s potential application for the treatment of NPC, and will speed up FDA's evaluation of related indications. We completed the rolling submission of BLA for the indication of TUOYI® in combination with chemotherapy for the first-line treatment of recurrent or metastatic NPC, and the indication of TUOYI® monotherapy for second or third line recurrent or metastatic NPC in September 2021. At the end of October 2021, BLAs for the above two indications were accepted by the FDA. According to the acceptance letter, the FDA has granted priority review designation for the BLAs and indicated that it does not plan to hold an advisory committee meeting for the BLAs. The PDUFA date is set in April 2022.

• *Publication of academic results*

From the beginning of the Reporting Period to the date of this announcement, the results obtained in clinical research of TUOYI® in the current stage have also been included in many influential international academic journals and included in the presentations of many international academic conferences:

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

- Publication of the results of TUOYI® for the treatment of recurrent or metastatic NPC (POLARIS-02) in Journal of Clinical Oncology (IF: 44.544) in January 2021;

- Efficacy predictor analysis of TUOYI® for the treatment of advanced gastric cancer in Therapeutic Advances in Medical Oncology (IF: 8.168) in January 2021;

- A total of 3 research results of TUOYI® were selected, including the neoadjuvant treatment for HCC, neoadjuvant treatment for ESCC and maintenance treatment for SCLC, at the annual meeting of the American Association for Cancer Research (AACR 2021) in April 2021;

- A total of 39 studies related to TUOYI® were presented together, including an oral report at the general meeting, an oral report at the special session, 15 poster presentations and a number of online abstracts, covering more than 10 tumor types including nasopharyngeal cancer, head and neck cancer, melanoma, lung cancer, gastric cancer, esophageal cancer, liver cancer, cholangiocarcinoma and pancreatic cancer, at the annual meeting of the ASCO (ASCO 2021) in June 2021.

  In particular, at ASCO 2021, the latest results of a study on TUOYI® in combination with chemotherapy for the first-line treatment of recurrent or metastatic NPC (JUPITER-02 study, #LBA2) were published in the form of LBA of the general meeting;

MANAGEMENT DISCUSSION AND ANALYSIS

- The results of TUOYI® in combination with chemotherapy as the neoadjuvant treatment for ESCC were selected at the 29th annual meeting of the European Society of Thoracic Surgeons (ESTS 2021) in June 2021;

- In September 2021, the World Conference on Lung Cancer (WCLC 2021) announced the interim analysis result of Phase III key registered clinical study (CHOICE-01 Study) of TUOYI® in combination with chemotherapy as first-line treatment of patients with advanced NSCLC. At the same time, preliminary research findings of TUOYI® in combination with platinum-containing dual-agent chemotherapy as new adjuvant therapy for patients with phase IIIA-IIIB NSCLC, and research design of TUOYI® in combination with bevacizumab and platinum-containing chemotherapy as treatment of patients with newly treated advanced pulmonary sarcomatoid carcinoma (PSC) were also displayed in the form of posters;

- In September 2021, 11 latest researches on TUOYI® covering a wide range of tumors, including gastrointestinal tumors, lung cancer, gynecological tumors, uroepithelial cancer, head and neck tumors etc., were released in the form of oral reports and posters at the European Society for Medical Oncology Congress (ESMO 2021). In particular, the result of the Phase III clinical trial of TUOYI® in combination with chemotherapy as first-line treatment of advanced or metastatic ESCC (JUPITER-06 study) was released for the first time;

- In September 2021, the result of the Phase III study of TUOYI® in combination with chemotherapy as first-line treatment of recurrent or metastatic NPC (JUPITER-02 study) was published as a cover recommendation in Nature Medicine (IF: 53.440), a top international journal. This is also the first time in the 26 years of Nature Medicine's history that Chinese innovative drug research has been featured on the cover;

- In February 2022, the latest results of 3-year survival data and biomarker analysis of study of TUOYI® in combination with axitinib as treatment for advanced mucosal type melanoma (NCT03086174) were published in Journal for ImmunoTherapy of Cancer (IF:13.751);

- In March 2022, the research results of JUPITER-06 were published in Cancer Cell (IF:31.734), an authoritative academic journal of Cell Press. The research results show that compared with placebo in combination with chemotherapy, TUOYI® in combination with chemotherapy (paclitaxel+cisplatin) as first-line treatment of patients with advanced or metastatic squamous cell carcinoma of the esophagus can significantly improve PFS and OS.

MANAGEMENT DISCUSSION AND ANALYSIS

Etesevimab (code: JS016/LY-CoV016)

- *Milestones and achievements of commercialization*

  Etesevimab is a recombinant fully human anti-SARS-CoV-2 monoclonal neutralizing antibody, which was jointly developed by us and the IMCAS for the treatment and prevention of COVID-19. In February 2021, the FDA officially granted the EUA for etesevimab and bamlanivimab administered together for the treatment of patients with mild to moderate COVID-19 aged 12 and above who were at high risk for progressing to severe COVID-19 and/or hospitalization. In September 2021, the scope of EUA was extended to include post-exposure prophylaxis to prevent COVID-19 infections in specific populations. In December 2021, the scope of EUA extended to include treatment and post-exposure prevention of mild to moderate COVID-19 for specific high-risk pediatric population (from infant to child aged under 12).

  As of the end of the Reporting Period, etesevimab and bamlanivimab administered together has obtained the EUA in more than 15 countries and regions worldwide. With the accelerated progress of the cooperation, the Company has reached all the milestones agreed in the agreement between the two parties during the Reporting Period regarding the overseas authorization of etesevimab to Lilly.

- *Milestones and achievements of clinical development*

  As of the end of the Reporting Period, we completed Phase I study (NCT04441918) to evaluate the tolerability and safety of etesevimab single-dose intravenous therapy among healthy Chinese subjects. In addition, we have completed Phase Ib/II international multi-center clinical study (NCT04780321) for patients with mild to moderate COVID-19.

For overseas clinical study, our cooperative partner Lilly has completed the Phase I clinical study of etesevimab (NCT04441931) among healthy subjects in the United States. The Phase II/III clinical study among patients diagnosed with COVID-19 in the ambulatory setting (BLAZE-1, NCT04427501) was completed. In the Reporting Period, the Phase III clinical trial of the BLAZE-1 study reached the primary research endpoint. 1,400 mg of etesevimab and 700 mg of bamlanivimab administered together significantly reduced COVID-19-related hospitalizations and deaths in high-risk patients recently diagnosed with COVID-19. Amongst 769 patients, the event rate of the group being administered with estesevimab and bamlanivimab was 0.78% (4 events), while the event rate of the placebo group was 5.81% (15 events), representing a 87 percent risk reduction ($p<0.0001$). There were a total of 4 deaths in the study, all of which occurred in the placebo group. There was no death among the patients being administered etesevimab and bamlanivimab. In addition, preliminary results of the completed BLAZE-4 study (NCT04634409) provide viral load and pharmacodynamic/pharmacokinetic data demonstrating lower doses of etesevimab 1,400 mg and bamlanivimab 700 mg is similar to the treatment result of etesevimab 2,800 mg and bamlanivimab 2,800 mg together.

- *Publication of academic results*

  During the Reporting Period, the progress achieved in clinical research of etesevimab have also been included in many influential international academic journals and included in the presentations of many international academic conferences:

  - In January 2021, the Journal of the American Medical Association (JAMA, IF: 56.272), an internationally renowned journal, published the results of a clinical study on the effect of etesevimab and bamlanivimab administered together on the viral load of patients with mild to moderate COVID-19 (BLAZE-1 study) online;

  - In May 2021, the Antimicrobial Agents and Chemotherapy (AAC, IF: 4.904), a renowned magazine of the American Society for Microbiology, published the results of the Phase I clinical study of etesevimab among healthy Chinese subjects online, which is the data report of the world's first Phase I novel coronavirus neutralizing antibody clinical trial in Chinese subjects;

  - In July 2021, the New England Journal of Medicine (NEJM, IF: 91.245), a top academic journal in the world, published the updated data of the large-scale Phase III clinical trial (BLAZE-1) of etesevimab and bamlanivimab administered together for the treatment of patients with mild to moderate COVID-19.

JUNMAIKANG® (Adalimumab, code: UBP1211)

JUNMAIKANG® is a adalimumab jointly developed by us and T-mab BioPharma Co., Ltd.* (江蘇泰康生物醫藥有限公司), a wholly-owned subsidiary of Mabwell (Shanghai) Bioscience Co., Ltd.* ("**Mabwell Bio**") (邁威(上海)生物科技股份有限公司). In March 2022, JUNMAIKANG® for the treatment of rheumatoid arthritis, ankylosing spondylitis and psoriasis received marketing approval from the NMPA. Mabwell Bio or its controlled subsidiaries will be responsible for the production and sales of JUNMAIKANG®, and the profits will be distributed between the Company and Mabwell Bio or its controlling subsidiaries on a 50:50 basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Our Drug Candidates Under Clinical Trials

Ongericimab (code: JS002)

Ongericimab is a recombinant humanized anti-PCSK9 monoclonal antibody independently developed by us for the treatment of primary hypercholesterolemia and mixed dyslipidemia. We are the first company in China to obtain clinical trial approval for the target drug. In the completed Phase I and Phase II clinical research, ongericimab showed sound safety and tolerability profile with significant efficacy in lowering blood cholesterol by reducing low-density lipoprotein cholesterol (LDL-C) by 55% to 70% compared to the baseline (equivalent to imported similar products). We are conducting Phase III clinical studies with larger patient population (including non-familial and heterozygous familial hypercholesterolemia) for further verification of efficacy and safety, and the enrollment of subjects in the pivotal Phase III clinical study was completed in the second half of 2021. Furthermore, we have also conducted a Phase II clinical study in patients with homozygous familial hypercholesterolemia (rare disease) and completed the enrollment of subjects in the second half of 2021. The study will provide valuable clinical research data for the clinical application of PCSK9 mAb in Chinese patients with homozygous familial hypercholesterolemia.

Recombinant humanized anti-BTLA monoclonal antibody (code: TAB004/JS004)

TAB004/JS004 is the world's first-in-human recombinant humanized anti-BTLA monoclonal antibody specific to B – and T-lymphocyte attenuator (BTLA) independently developed by us and commenced clinical trial. As of the date of this announcement, TAB004/JS004 has entered the dose-expansion stage in Phase Ib/II. We are conducting combination trials of TAB004/JS004 and TUOYI® against multiple types of tumors in China and the United States, in order to exert a synergistic antitumor effect. We believe that the combination of the two is a promising antitumor treatment strategy, which is expected to increase patients' response to immunotherapy and expand the range of potential beneficiaries. As of the date of this announcement, there is no other disclosed anti-tumor product with the same target that has entered the clinical trial stage domestically and abroad.

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

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

In January 2022, pursuant to the Exclusive License and Commercialization Agreement we entered into with Coherus in February 2021, Coherus has initiated to exercise one of its options, the option program of TAB006/JS006, to obtain a license to develop TAB006/JS006 and any product that contains TAB006/JS006 in the treatment or prevention of diseases and disorders in humans in the Coherus Territory. Coherus made an one-off exercise payment of US$35 million to us, and will pay up to an aggregate of US$255 million upon achieving the prescribed milestone events, plus 18% royalty on the annual net sales of products containing TAB006/JS006 in the Coherus Territory.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Recombinant humanized anti-Trop2 monoclonal antibody – Tub196 conjugate (code: JS108)

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

PARP inhibitor senaparib (code: JS109)

Senaparib is a novel agent targeting PARP (poly-ADP ribose polymerase) developed by IMPACT Therapeutics, Inc. ("**IMPACT Therapeutics**"). In August 2020, the Company and IMPACT Therapeutics entered into an agreement to form a joint investment company. The joint investment company will mainly engage in the R&D and commercialization of small molecule anti-tumour drugs including senaparib. IMPACT Therapeutics will contribute for its interests by way of injection of the PARP inhibitor senaparib as an asset within the territories of mainland China, Hong Kong and Macau. The Company and IMPACT Therapeutics will each own 50% equity interests (please refer to the Company's announcements dated 20 August 2020 and 26 August 2020 for further details). During the Reporting Period, the patient enrollment of Phase III study of senaparib as the first-line maintenance treatment in platinum-sensitive advanced ovarian cancer patients has been completed, and is pending for clinical data evaluation.

MANAGEMENT DISCUSSION AND ANALYSIS

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

JS201 is a bifunctional fusion protein developed independently by us that simultaneously targets PD-1 and TGF-β (transforming growth factor-β). PD-1 and TGF-β usually show high expression at the same time in the tumor microenvironment. TGF-β is an important growth factor in immunosuppression, which in turn mediates the primary resistance of anti-PD-1 monoclonal antibody, thus blocking the two immunosuppressive signals simultaneously, i.e. PD-1 and TGF-β to play a synergistic antitumor effect. JS201 effectively blocks the PD-1/PD-L1 and TGF-β immunosuppressive pathways and improves the immune regulation in the tumor microenvironment, and therefore stimulates the killing effect of the human immune system on tumor cells, effectively enhances the immune response, and reduces immune escape and drug resistance. In February 2021, the IND application for JS201 was accepted by the NMPA, and received IND approval in May 2021. In July 2021, the dosing of the first patient was completed in the Phase I clinical trial (NCT04956926) of JS201. The study aims to evaluate the safety, tolerability, pharmacokinetics and preliminary efficacy of JS201 in the treatment of patients with advanced malignant tumors in the dose escalation stage, dose expansion stage and clinical expansion stage. As of the date of this announcement, there is no product with similar targets approved for marketing domestically and overseas.

XPO1 Inhibitor (code: JS110)

JS110 is a small molecule inhibitor of the nuclear export protein XPO1, which is clinically intended to treat patients with advanced tumors. According to the results of pre-clinical studies, JS110 specifically blocks the function of XPO1, inhibits the nuclear export of a variety of tumor suppressor proteins including p53, and strengthens the function of tumor suppressor proteins. JS110 inhibits the growth and induces death of a variety of tumor cells in vitro. In animal tumor models, JS110 monotherapy or combination therapy can inhibit the growth of a variety of blood and solid tumors. Due to its unique mechanism of action, the development of JS110 is expected to bring new treatments to patients with advanced tumors. In February 2021, the IND application for JS110 was accepted by the NMPA, and received IND approval in April 2021. As at the date of this announcement, the Phase I clinical trial of JS110 is in progress in China (NCT04991129).

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Pegylated uricase derivative (code: JS103)

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

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 marketed anti-IL-17 monoclonal antibodies. Preclinical study data fully shows that JS005 has a clear target, definite efficacy, good safety, stable production process, and controllable product quality. As of the date of this announcement, the Phase I clinical study of JS005 has completed, while 3 Phase II clinical studies on moderate to severe psoriasis, ankylosing spondylitis and non-radiographic axial spondyloarthritis are in progress.

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

The active ingredient of JS014 is recombinant IL-21 – a nanobody fusion protein of anti-human serum albumin (HSA), of which the half-life can be significantly prolonged through fusing anti HSA nanobodies. JS014 is able to specifically combine human IL-21R with high affinity and activate T-lymphocyte. The prolongation of half-life can expand the distribution of the drug in the tumor microenvironment, and enhance the activity of tumor infiltrating lymphocytes in the tumor microenvironment, thereby improving the ability of immune system to kill tumor cell. In addition, the use of JS014 and immune checkpoint monoclonal antibodies jointly shows a strong synergistic antitumor effect. In June 2019, the Company executed a License Agreement with Anwita Biosciences, Inc. ("**Anwita**"). We received the entitlement to develop and commercialize JS014 in the greater China territories (including mainland China, Hong Kong, Macau and Taiwan). In June 2021, the IND application for JS014 was accepted by the NMPA, and received IND approval in August 2021. At present, it is at the initiation stage of Phase I clinical study.

Recombinant humanised anti-Claudin18.2 monoclonal antibody (code: JS012)

The active ingredient of JS012 injection is recombinant humanised anti-Claudin18.2 monoclonal antibody, which can target Claudin18.2, inhibit related signal pathway, kill tumor cells by initiating antibody-dependent cell-mediated cytotoxicity (ADCC) and complement-dependent cytotoxicity (CDC), and is intended to be used for the treatment of advanced malignant tumors, such as gastric cancer and pancreatic cancer. In September 2021, the IND application for JS012 was accepted by the NMPA, and received IND approval in November 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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

JS107 is a recombinant humanized anti-Claudin18.2 monoclonal antibody-MMAE (Monomethyl auristatin E) conjugate for injection developed independently by us. It is an antibody-drug conjugate (ADCs) targeting tumor-related protein Claudin18.2, and is intended to be used for the treatment of advanced malignant tumors, such as gastric cancer and pancreatic cancer. JS107 can bind to Claudin18.2 on the surface of tumor cells, enter into tumor cells through endocytosis, and release the small molecule toxin MMAE, which has a strong lethality to tumor cells. JS107 also retained antibody-dependent cellular cytotoxicity (ADCC) and complement dependent cytotoxicity (CDC) effects, further killing tumor cells. Furthermore, due to the cell permeability of MMAE, JS107 can mediate indiscriminate killing of other tumor cells by way of its bystander effect, thereby improving the efficacy of treatment and inhibiting tumor recurrence. The pre-clinical in vivo pharmacodynamics showed that JS107 exhibits significant anti-tumor effect. In December 2021, the IND application for JS107 was accepted by the NMPA, and received IND approval in March 2022.

Recombinant humanised anti-CD39 monoclonal antibody (code: JS019)

The active ingredient of JS019 injection is a recombinant humanised anti-CD39 monoclonal antibody. CD39 is the enzyme responsible for the initial steps in the conversion of immune stimulatory extracellular adenosine triphosphate (ATP) to immune suppressive adenosine (ADO) in the tumor microenvironment, and plays an important role in the immune suppressive response in the tumor microenvironment. Studies have shown that CD39 has demonstrated high expression in various types of human tumors, including lymphoma, sarcoma, lung cancer, pancreatic cancer, ovarian cancer, renal cell cancer, thyroid cancer and testicular cancer. In September 2020, we entered into a collaboration agreement with Beijing Eirene in relation to the joint establishment of a joint venture, which will be responsible for the R&D, clinical application and commercialisation of CD39 drug. In October 2021, the IND application for JS019 was accepted by the NMPA, and received IND approval in December 2021.

VV116 (code: JT001)

VV116 is a novel oral nucleoside anti-SARS-CoV-2 agent that inhibits SARS-CoV-2 replication. Preclinical studies have shown that VV116 exhibits significant anti-SARS-CoV-2 effects both in vivo and in vivo, showing antiviral activity against both the original SARS-CoV-2 strain and known important variants (Alpha, Beta, Delta and Omicron), as well as high oral bioavailability and good chemical stability. In September 2021, JunTop Biosciences partnered with with Vigonvita to jointly undertake the clinical development and industrialisation of VV116, in the collaboration territory. As at the date of this announcement, we have completed 3 Phase I clinical research on healthy Chinese subjects (NCT05227768, NCT05201690, NCT05221138). The results of the research were published in Acta Pharmacologica Sinica, a renowned journal in the pharmaceutical field, which demonstrated that VV116 exhibited satisfactory safety and tolerability in healthy subjects, was rapidly absorbed orally, could be administered orally under fasting or normal diet conditions, and it has been suggested to explore two doses of 200 mg to 600 mg per day in subsequent clinical studies. Based on the positive results of the above I clinical study, we have also initiated an international multi-center, double-blind, randomized, placebo-controlled, Phase II/III clinical study (NCT05242042) for patients with mild to moderate COVID-19 with Vigonvita to evaluate the efficacy, safety and pharmacokinetics of VV116 for early treatment of patients with mild to moderate COVID-19. The study has completed the enrollment and dosing of the first patient in Shanghai Public Health Clinical Center* (上海市公共衛生臨床中心), and is in progress in multiple centers globally.

In addition, another international multi-center, randomized, double-blind Phase III clinical study is in progress to evaluate the efficacy and safety of VV116 versus standard therapy in moderate-to-severe COVID-19 subjects, and has completed the enrollment and dosing of the first patient.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Collaboration Projects During the Reporting Period

In July 2021, the Company and Immorna entered into an agreement in relation to the establishment of a joint investment company, which will be owned 50% by each party (for further details, please refer to the announcements of the Company dated 19 July 2021 and 23 July 2021). The joint investment company will mainly engage in the R&D, clinical research, application for approval, production and commercialization of product development projects in the fields of tumors, infectious diseases, rare diseases and other diseases agreed by both parties on the mRNA technology platform globally. The establishment of the joint investment company can complement each party's technological advantages to capitalize on the strengths of the mRNA general platform technology in cancer immunotherapy, infectious disease prevention and other fields in a more efficient manner, and continuously explore new directions of application.

Our Manufacturing Facilities

We have two production bases. With GMP certification, Wujiang production base in Suzhou ("**Wujiang Production Base**") has a 4,500L (9*500L) fermentation capacity, 3,000L of which can be used in commercial production of the Company's products and production of clinical trial drugs. During the Reporting Period, the Wujiang Production Base has added a fermentation capacity of 1,500L so as to support the drug substance production of adalimumab and the production of drug candidates for use in clinical trials. Lingang Production Base was constructed in accordance with the CGMP standard. The first phase of the project, with a production capacity of 30,000L (15*2,000L) was put into trial production at the end of 2019, which supported the supply of drugs and drug substances in the overseas clinical trial of JS016 project during the early stage of development. In March 2022, Junshi Biotechnology passed the GMP compliance inspection, which means that the Lingang Production Base is fully equipped for the formal production of commercial batches of TUOYI®. By virtue of economies of scale, the expansion of production capacity in the Lingang Production Base provided the Company with a more competitive production cost and expedited the launch of new drugs by supporting more clinical trials. Based on the current R&D progress of product pipeline, we plan to further expand our production facilities for the provision of sufficient production capacity to match our gradually increasing and maturing drug candidates and support our continued business expansion in the future.

From design to construction, the Lingang Production Base aims at achieving full digitalization, and will integrate production automation and digital management into actual production, striving to achieve four transformations as a digital "smart" factory:

- through the digitalization of production lines, workshops and factories, "black production" will be transformed into "transparent production";
- through network, "data lagging behind the product" will be transformed into "data keeping in pace with the product";
- through data analysis and control, "experience determines quality" will be transformed into "process guarantees quality"; and
- through the overall digitalization of "individuals, machine, material, method and environment", "manual drug quality management" will be transformed into "systemic guarantee of drug quality", so as to ensure drug safety from the source.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Corporate Development

- In terms of innovative drug R&D, we continued to increase our R&D investment with R&D expenses amounting to RMB2,069 million during the Reporting Period, representing an increase of 16% as compared with the previous year, which strongly supported the R&D for our innovative drugs projects. As at the end of the Reporting Period, the Group owned 108 granted patents, of which 84 were domestic patents and 24 were overseas patents. These patents cover the molecular structure, preparation process, usage, preparation formula of new drugs, providing sufficient and long-life-cycle patent protection for our products.

- In order to optimize the capital structure, focus more on the development of the principal business, improve operating efficiency, increase our investment in technology R&D, and better serve technological innovation, an aggregate of 36,549,200 new H Shares have been successfully allotted and issued by the Company in June 2021 at the placing price of HK$70.18 per H Share to not less than six placees. The net cash inflow from the Placing is approximately RMB2,105 million. The proceeds from the Placing are intended to be applied towards the R&D and pipeline expansion of drugs, expansion of the commercialization team, domestic and overseas investment, mergers and acquisitions, business development, and general corporate purposes.

- In December 2021, JunTop Biosciences implemented the series A financing, with 14 series A investors subscribing for the new registered capital of JunTop Biosciences at a total consideration of RMB1.275 billion. The proceeds will be used to finance the R&D and production of vaccine and anti-infective drug pipelines of JunTop Biosciences.

- From February 2021, the A Shares and H Shares of the Company have been included in Northbound Trading under Shanghai-Hong Kong Stock Connect and the Stock Connect Southbound Trading, respectively. From March 2021, the Company's A Shares have been included in the STAR 50 index and the FTSE Global Equity Index, while the Company's H Shares have been included in the Hang Seng Composite Index, the Hang Seng SmallCap Index, the Hang Seng Healthcare Index, the Hang Seng Stock Connect Hong Kong Index and the Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index. Since September 2021, the A Shares of the Company will be included in the MSCI China A Onshore Index. The Company has been rated by major domestic and international ESG rating agencies, of which Wind ESG and Sino-Securities Index granted the Company a rating of "A" and "AA" respectively.

Future and Outlook

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

1. Revenue

As at 31 December 2021, total operating revenue reached RMB4,025 million, representing a year-on-year increase of 152% compared with 2020, including: (i) revenue from pharmaceutical products of RMB427 million, decreased by 61% compared with the corresponding period in 2020, of which RMB412 million came from TUOYI®. After the official implementation of the 2020 NRDL in March 2021, the terminal pricing of TUOYI® products dropped by over 60% compared to the initial pricing in 2020. Moreover, after the continued inclusion in the 2021 NRDL and further price reduction of TUOYI® at the end of the Reporting Period, we compensated the price difference for the entire inventory of the distributors, which also had a certain impact on the recognition of product revenue for the current period; and (ii) revenue from out-licensing of RMB3,341 million. The revenue from out-licensing mainly came from the following two agreements: a) the research collaboration and license agreement entered into between the Company and Lilly in May 2020, where the Company granted Lilly a license to conduct research, development and commercialization of etesevimab; b) the Exclusive License and Commercialization Agreement entered into between the Company and Coherus in February 2021, where the Company granted Coherus an exclusive license to develop, manufacture, commercialize, sell and otherwise develop TUOYI® and two option programs (if exercised) in the Coherus Territory.

2. R&D Expenses

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

During the year ended 31 December 2021, R&D expenses were RMB2,069 million, which increased by RMB291 million as compared with corresponding period of 2020, representing a year-on-year increase of 16%. R&D expenses included clinical research and technical service expenses of RMB1,467 million, staff salary and welfare expenses of RMB408 million, depreciation and amortization expenses of RMB80 million, share-based payment expenses of RMB54 million and other operating expenses of RMB60 million, which increased by 2%, 68%, 82%, 391% and 54% as compared with the corresponding period in 2020, respectively. The increase in R&D expenses was mainly due to (i) continuous increase of R&D investment, diversification and expansion of product pipelines, the acceleration of the development of existing clinical projects; (ii) expansion of the R&D team; and (iii) rise of remuneration cost including the expense of the 2020 Restricted A Share Incentive
Scheme to incentivize and retain personnel.

3. Selling and Distribution Expenses

Selling and distribution expenses mainly include expenses for marketing and promotion activities and travelling, expenses of the sales department, share-based payment expenses and other operating expenses.

During the year ended 31 December 2021, selling and distribution expenses amounted to RMB735 million, which increased by RMB47 million as compared with corresponding period of 2020, representing a year-on-year increase of 7%. The increase in selling and distribution expenses in 2021 was mainly due to the increase of remuneration cost of sales team to rapidly enhance hospital coverage rate and gain higher market shares for our products.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Administrative Expenses

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

During the year ended 31 December 2021, administrative expenses amounted to RMB648 million, which increased by RMB205 million as compared with corresponding period of 2020, representing a year-on-year increase of 46%. Administrative expenses included: administrative staff cost of RMB251 million, office administration expenses of RMB118 million, depreciation and amortization expenses of RMB108 million, share-based payment expenses of RMB101 million and other miscellaneous expenses of RMB70 million, which increased by 2%, 26%, 66%, 742% and 169% as compared with the corresponding period in 2020, respectively. The significant increase in administrative expenses in 2021 was mainly due to (i) our business growth and organization expansion; and (ii) the Restricted A Share Incentive Scheme passed in November 2020 to attract and retain personnel and to ensure the achievement of our development strategies and business goals.

5. Liquidity and Capital Resources

As at 31 December 2021, bank balances and cash increased to RMB3,505 million from RMB3,385 million as at 31 December 2020. The increase in bank balances and cash mainly result from (i) funds raised from the successful placing of the Company's new H Shares; but (ii) offset by net cash outflow used in operating and investing activities.

The Group does not implement any hedging instruments currently, as a result the Group does not have a foreign currency hedging policy. However, the management will monitor foreign exchange exposure and risks. As at 31 December 2021, foreign currency bank balance are USD114 million and HK$654 million which are mainly generated from out-licensing income and the Placing in late June 2021.

6. Non-IFRS Measures

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

Non-IFRS adjusted total comprehensive expenses for the year:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
IFRS total comprehensive expense for the year	**(718,579)**	(1,687,567)
Add:		
Listing expense	**–**	1,102
Share-based payment expenses	**192,754**	30,728
Net exchange losses	**39,937**	11,672
Adjusted total comprehensive expense for the year	**(485,888)**	(1,644,065)

7. Global Offering, Listing on the STAR Market and Use of Proceeds

The total proceeds from the issue of new H Shares by the Company in its listing of H Shares on the Hong Kong Stock Exchange ("**H Share Listing**") (after deducting the underwriting fees and related listing expenses) amounted to approximately RMB3,003 million and the balance of unutilized net proceeds was approximately RMB12 million as at 31 December 2021 (the "**Unutilized Proceeds**"). The net proceeds from the H Share Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the prospectus of the Company dated 11 December 2018 (the "**Prospectus**") and subsequently the announcements of the Company dated 29 August 2019 (the "**2019 Announcement**") and 28 August 2020 regarding the changes in use of proceeds from the H Share Listing.

MANAGEMENT DISCUSSION AND ANALYSIS

Planned Usage	Planned use of proceeds as disclosed in the Prospectus RMB'000	% of total proceeds	Planned use of proceeds as disclosed in the 2019 Annual Report (including amount already utilized as at 31 December 2019) RMB'000	% of total proceeds	Planned use of proceeds as disclosed in the 2020 Interim Report (including amount already utilized as at 30 June 2020) RMB'000	% of total proceeds	Utilized Proceeds as at 31 December 2021 RMB'000	Unutilized Proceeds as at 31 December 2021 RMB'000	Expected timeline for application of the Unutilized Proceeds (Note 3)
The R&D and commercialization of the Group's drug candidates	1,952,203	65%	2,162,440	72%	2,372,677	79%	2,361,794	10,883	Expected to be fully utilized by 31 December 2022
The R&D and commercialization of the Group's Core Product, JS001	1,201,356	40%	1,201,356	40%	1,291,457	43%	1,287,010	4,447	Expected to be fully utilized by 31 December 2022
The R&D of the Group's other drug candidates to fund clinical trials worldwide, including JS004, etc. (Note 1a)	480,542	16%	480,542	16%	600,678	20%	594,242	6,436	Expected to be fully utilized by 31 December 2022
The construction of, acquisition of facilities for and settlement of start-up costs on the Lingang Site and the Wujiang Site (Note 1b)	270,305	9%	480,542	16%	480,542	16%	480,542	–	Was fully utilized by 31 December 2021
The Group's investment in the health care and/or life science sector(s), including acquisition of companies, licensing-in and collaboration (Note 1c)	750,847	25%	540,610	18%	330,373	11%	329,802	571	Expected to be fully utilized by 31 December 2022
The Group's working capital and other general corporate purposes	300,339	10%	300,339	10%	300,339	10%	334,570 (Note 2)	301 (Note 2)	Expected to be fully utilized by 31 December 2022
	3,003,389	**100%**	**3,003,389**	**100%**	**3,003,389**	**100%**	3,026,166	11,755	

Notes:

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

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

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

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

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

3. The expected timeline was based on the Company's estimation of future market conditions and business operations, and remains subject to change based on actual market conditions and business needs.

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

MANAGEMENT DISCUSSION AND ANALYSIS

As approved by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2020] No. 940)* (中國證券監督管理委員會證監許可[2020]940號文), the Company issued 87,130,000 new ordinary shares (A Shares) to the public in a public offering in July 2020 at the issue price of RMB55.50 per share. The gross proceeds amounted to RMB4,836 million. After deducting issuance expenses of RMB339 million in accordance with the related requirements, the actual net proceeds amounted to RMB4,497 million. The net proceeds from the listing of A Shares have been used and will be used in accordance with the uses disclosed in the Company's A Share prospectus dated 22 June 2020.

Committed investment projects	**Planned use of proceeds** *RMB'000*	**Utilized proceeds as at 31 December 2021 RMB'000**	**Unutilized proceeds as at 31 December 2021 RMB'000**	**Expected timeline for application of the unutilized proceeds**
Research and development projects of innovative drugs	1,200,000	**1,089,818**	**110,182**	Expected to be fully utilized by 31 December 2023
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	**784,030**	**15,970**	Expected to be fully utilized by 31 December 2023
Surplus proceeds	1,796,978	**552,686**	**1,244,292**	Expected to be fully utilized by 31 December 2023
Total	4,496,978	**3,126,534**	**1,370,444**	

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDENDS

No dividend was paid or declared by the Company during the years ended 31 December 2021 and 2020, nor has any dividend been declared since the end of the reporting period.

LOSS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(718,557)**	(1,665,639)

Number of shares:

	Year ended 31 December	
	2021	2020
Weighted average number of ordinary shares for the purpose of basic loss per share	**892,659,689**	824,816,637

(b) Diluted

The Company granted share options on 14 May 2018 and granted RSUs on 16 November 2020 and 15 November 2021. The computation of diluted loss per share for the years ended 31 December 2021 and 31 December 2020 do not assume the exercise of the Company's outstanding share options and RSUs as this would result in a decrease in loss per share. Accordingly, diluted loss per share for the years ended December 31, 2021 and 2020 are the same as basic loss per share for the respective year.

INTERESTS IN ASSOCIATES

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

On 30 April 2021, the Group acquired 50% equity interest of Junshi Risen (Shanghai) Pharmaceutical Technology Co., Ltd*(君實潤佳（上海）醫藥科技有限公司) for a cash consideration of RMB20,000,000. On 19 July 2021, the Group invested in 50% equity interest of Shanghai Junshi Xihai Biotechnology Co., Ltd. *(上海君實西海生物科技有限公司) for a cash consideration of RMB50,000,000.

During the year, the Group has made capital injection in aggregate of RMB355,084,000 to its associates, Anwita, Shanghai Junpai Yingshi Bio Pharmaceutical Co., Ltd. * (上海君派英實藥業有限公司) and Suzhou Junjing Biosciences Co., Ltd.* (蘇州君境生物醫藥科技有限公司).

OTHER FINANCIAL ASSETS

During the Reporting Period, the Group selectively made minority investments in other companies in the market to continuously expand the channel presence of the Company, which is conducive to maintaining its leading position in the development of innovative drugs.

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Current assets		
Financial assets measured at FVTPL		
– Fund	**–**	17
Non-current assets		
Financial assets measured at FVTPL		
– Unlisted equity investment in partnership *(Note a)*	**155,218**	77,030
– Unlisted equity investments *(Note b)*	**46,664**	133,007
– Investment in preference shares *(Note c)*	**551,651**	146,688
– Warrant *(Note d)*	**20,000**	–
	773,533	356,725
Financial asset designated as FVTOCI *(Note e)*	**253,575**	–
	1,027,108	356,725

Notes:

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

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

(c) The amounts represent investments in preference shares in unlisted entities established in the PRC, the USA and the Cayman Islands, which are mainly engaged in drug discovery. For the investment in preference shares in an unlisted entity established in the Cayman Islands with fair value of RMB78,569,000 (2020: RMB68,199,000), one out of seven members in the board of directors is designated by the Group.

(d) The amount represents investment in a warrant amounted to RMB20,000,000 for the right to subscribe 4,687,301 preference shares of an investee. The Group may exercise its rights to acquire the preference shares of the investee 3 months after the approval on overseas direct investment by the State Administration of Foreign Exchange.

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

MANAGEMENT DISCUSSION AND ANALYSIS

INVENTORIES

Our inventories increased significantly from approximately RMB343 million as at 31 December 2020 to approximately RMB485 million as at 31 December 2021, mainly due to the increased purchase of raw materials and increased balance of work in progress in line with our clinical trial progress, trial production in factory and the commecialization of toripalimab.

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Raw materials	**353,059**	277,288
Work in progress	**102,665**	31,887
Finished goods	**28,877**	34,250
	484,601	343,425

TRADE RECEIVABLES

Trade receivables increased from RMB663 million as at 31 December 2020 to RMB1,293 million as at 31 December 2021, mainly because the revenue from out-licensing increased significantly.

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables	**1,285,243**	589,207
Trade receivables backed by bank bills	**7,690**	74,116
	1,292,933	663,323
Less: Allowance for credit losses	**–**	–
	1,292,933	663,323

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

As at 1 January 2020, the trade receivables from contracts with customers amounted to RMB157,416,000.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	At 31 December	
	2021	2020
	RMB'000	RMB'000
0 – 30 days	**1,285,217**	573,437
31 – 90 days	**26**	27,876
91 – 180 days	**–**	61,103
Over 180 days	**7,690**	907
	1,292,933	663,323

As at 31 December 2021, no trade receivables are past due. As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB61,583,000 which are past due. Out of the past due balances, no trade receivables have been past due 90 days or more.

As at 31 December 2021, total bank bills received amounting to RMB7,690,000 (2020: RMB74,116,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE AND OTHER PAYABLES

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables	**196,205**	90,706
Accrued expenses in respect of:		
– construction costs of construction in progress	**89,874**	106,018
– research and development expenses *(Note a)*	**227,709**	215,933
– selling and distribution expenses	**64,569**	31,656
– others	**54,149**	48,330
Payment to Licensor *(Note b)*	**932,509**	210,552
Payment to a collaboration party under collaboration agreement *(Note c)*	**15,742**	30,149
Accrual for healthcare program	**–**	64,354
Salary and bonus payables	**213,777**	205,026
Other tax payables	**20,579**	19,620
Capital contribution payable to an investment in preference shares *(Note d)*	**–**	68,199
Non-refundable deposit received from license agreement	**–**	32,625
Payable for transaction costs for the issue of H shares	**757**	–
Other payables	**91,653**	91,848
	1,907,523	1,215,016

As at 31 December 2021, included in trade payables and other payables were RMB8,400,000 and RMB1,224,000 of related-parties payables (2020: nil) to Shanghai Ruotuo Biotechnology Co., Ltd. ("**Ruotuo Bio**") and Jiangsu Ruihe Environmental Engineering Research Centre Co., Ltd ("**Ruihe**") for service fee payables and construction payables. Ruotuo is a subsidiary of the associate which the Group invested in, Anwita and one of the Company's director, Tang Yi is also the director of Ruihe. Payment terms with suppliers are mainly with credit term of 15 days to 60 days (2020: 15 days to 60 days) from the time when the goods and services are received from the suppliers. The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
0 – 30 days	**143,117**	74,433
31 – 60 days	**32,625**	4,316
61 – 180 days	**13,473**	2,009
Over 180 days	**6,990**	9,948
	196,205	90,706

Notes:

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDEBTEDNESS

Unsecured Borrowings

As at 31 December 2021, we had no unsecured borrowings.

Secured Borrowings

We entered into a secured borrowing of RMB500 million from 30 July 2021 to 28 July 2028 with the Industrial and Commercial Bank of China. The borrowing bears a fixed interest rate of 3.90% per annum.

The borrowing is secured by our property,plant and equipment and right-of-use assets situated in Shanghai Lingang held by our subsidiary Junshi Biotechnology.

The Group incurred borrowings for: i) ongoing clinical trials and preclinical studies for our drug candidates; and ii) construction of the Lingang Production Bases.

As at 31 December 2021, the Group has pledged the following assets as security for the Group's bank borrowings:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Property, plant and equipment	**664,538**	1,716,673
Right-of-use assets	**55,611**	58,862
	720,149	1,775,535
The maturity profile of bank borrowings is as follows:		
– within one year	**10,596**	252,346
– within a period of more than one year but not exceeding two years	**30,000**	542,222
– within a period of more than two years but not exceeding five years	**220,000**	–
– within a period of more than five years	**240,000**	–
	500,596	794,568

All bank borrowings are carried at fixed-rate and denominated in RMB as at 31 December 2021 and 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTRACTUAL COMMITMENTS

Capital and Other Commitments

As at 31 December 2021, 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 RMB664 million, which increased by 26% from RMB528 million as at 31 December 2020, due to the increased capital expenditure both in acquisition of property, plant and equipment and investment.

Financing Plan

The Group expects to receive no more than RMB3.98 billion by issuance of no more than 70 million A Shares to target subscribers in the coming year, so as to support the R&D projects of innovative drugs of the Group and our technology headquarters and R&D base projects.

In the coming year, the Group expects to obtain a credit limit of RMB5,700 million to support the Group's production operations and rapid project construction.

GEARING RATIO

Gearing ratio is calculated using interest-bearing borrowings less bank balances and cash, divided by total equity and multiplied by 100%. As at 31 December 2021, the Group was in a net cash position and thus, gearing ratio is not applicable.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended December 31, 2021, we did not have significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures.

CONTIGENT LIABILITIES

As of December 31, 2021, we did not have any material contingent liabilities.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

As of 31 December 2021, the Group had a total of 2,805 employees. Adhering to the corporate spirit of "excellent people do not pursue appearances, and prestigious and cultivated people are committed to practicality", the Group always attaches great importance to the introduction, motivation, development and nurture of talents at all levels and in various fields. The Group has established a relatively comprehensive remuneration management system and performance management system, and organically combined the two: on one hand, the Group offers competitive salaries and benefits to all employees, and to a certain extent gives an edge to employees with high performance and potential; on the other hand, bonus level and salary increments of employees are also closely related to their individual performance and the performance of the Group, creating a fair and just management atmosphere that allows the Ggroup and its employees to grow together. During the Reporting Period, the Group granted 7,129,000 Restricted Shares to eligible employees in accordance with the 2020 Restricted A Share Incentive Scheme (see "– 2020 Restricted A Share Incentive Scheme" in this report for further details). From the two dimensions of "corporate development strategy" and "employee development needs", the Group constantly explores the points of convergence between the two, gradually constructs a relatively full-fledged employee training system, which continuously enriches training programs in fields including professional capabilities, leadership and soft skills, and subsidizes employees to enroll in external training courses.

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 business, the Company is currently in an important R&D investment phase, and our R&D investment is expected to increase significantly and consistently in line with the expansion of R&D pipeline and acceleration of domestic and overseas drug clinical trial activities. Our future profitability depends on 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.

Toripalimab, the first commercialized product of the Company, has officially been sold since 2019. With the inclusion of TUOYI® into the latest NRDL, successive completion of registrational clinical trials for more indications of TUOYI® (toripalimab) and the accelerated development of other drug candidates, the variety of indications and more commercialized products will further improve the Company's financial position and help create conditions for the Company to turn around 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 NDA 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 high 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 launch R&D projects for new drugs with prudence. In particular, the Company implements phase-based assessment on drug candidates in the course of R&D. If it is found that the expected 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.

Among the anti-PD-1 monoclonal antibodies that have been approved for sales in China, four domestic anti-PD-1 monoclonal antibodies, including toripalimab, have been included in the NRDL upon negotiations. In the future, the Company will face intensive market competition in terms of market shares, market promotion and access to distribution.

4. Risks Related to Operations

The Company's business operations require certain R&D technical services and raw materials supply. Currently, the relationship between the Company and existing suppliers are stable. If the price of R&D technical services or raw materials 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 imported. If there are significant changes in the international trade situation or cross-border relations, it may have a certain impact on the Company's production and drug development.

Adjustments to the 2021 NRDL have been completed. The Company's core product toripalimab injection continues to be included in Category B of the latest edition of the NRDL, and is the only anti-PD-1 monoclonal antibody used in the treatment of melanoma and nasopharyngeal cancer in the latest edition of the NRDL. The reduction in price after being into the drug list can effectively improve the accessibility and affordability of the Company's products, which is conducive to a significant increase in the sales of toripalimab. However, if the increase in sales is less than expected, it may adversely affect the Company's revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Risks Related to the Industry

In view of the constant reforms in the medical and health system, the establishment of the new National Healthcare Security Administration* (國家醫療保障局), 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 UBP1211 and JS501 which are biosimilars, the other drug candidates are innovative drugs. In response to the above industry and policy risks, the Company will adapt to changes in 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 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 adhere to comply with the relevant laws and regulations and adapt our business operations to the changes in regulatory policies to avoid possible policy risks.

6. Risks Related to the Macro Environment

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

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

7. Finance Risks

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Xiong Jun 熊俊，48

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

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

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

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

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

Mr. Xiong is the son of Mr. Xiong Fengxiang, a Shareholder of the Company and a party to the 2017 Concert Party Agreement. As at 31 December 2021, Mr. Xiong is deemed to be interested in 218,552,586 A Shares and 2,600 H Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Li Ning 李寧，60

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

Appointed to the Board: June 2018

Joined the Group: January 2018

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

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

As at 31 December 2021, Dr. Li is interested in 1,560,000 A Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

Li CONG 李聰，57

Co-Chief Executive Officer

Appointed to the Board: December 2016

Joined the Group: December 2016

Mr. Li has over 18 years of experience in the pharmaceutical industry. Mr. Li's main experience includes: from July 1986 to December 1997, he was a lecturer on pathological anatomy of Shanghai Tiedao University School of Medicine; from December 1997 to January 2004, he served as the sales director of the Shanghai branch of NOVO Nordisk (China) Pharmaceuticals Co., Ltd.; from January 2004 to March 2019, he had successfully held the positions of manager of East China Region, sales director, assistant to general manager and general manager at Tonghua Dongbao Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600867.SH)), responsible for manufacturing of diabetes products and operations. Since June 2019, he has been serving as director and general manager of Suzhou Landing Biopharmaceutical Co., Ltd.*, and the responsible person of Shanghai branch office of Suzhou Landing Biopharmaceutical Co., Ltd.*

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

As at 31 December 2021, Mr. Li is deemed to be interested in 3,657,600 A Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Feng Hui 馮輝，45
Chief Operations Officer

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

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

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

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

As at 31 December 2021, Mr. Feng is interested in 13,960,000 A Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

Zhang Zhuobing 張卓兵，54
Deputy General Manager

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

Mr. Zhang has over 20 years of experience in the pharmaceutical industry. Mr. Zhang has also been a director of Shanghai Union Biopharm from November 2011 to November 2015 and a deputy general manager of Shanghai Union Biopharm from July 2008 to November 2015, the legal representative, executive director and general manager of Suzhou Union since October 2013, a director of Beijing Xinjingke Biotechnology from May 2016 until June 2018 when it was transferred, a director of Beijing Tianshi since April 2016, and the director of Shanghai Junshi Xihai Biotechnology Co., Ltd.* since September 2021.

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

As at 31 December 2021, Mr. Zhang is deemed to be interested in 9,428,000 A Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

Yao Sheng 姚盛，46
Deputy General Manager

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

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

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

As at 31 December 2021, Dr. Yao is deemed to be interested in 2,000,000 A Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-Executive Directors

Wu Hai 武海，48

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

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

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

Tang Yi 湯毅，53
Member of the Audit Committee

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

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

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

As at 31 December 2021, Mr. Tang is deemed to be interested in 204,646,286 A Shares and 2,600 H Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Lin Lijun 林利軍，48

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

Mr. Lin founded Loyal Valley Innovation Capital and has been its chairman since September 2015. Since June 2015, he has been an executive director of Shanghai Loyal Valley Investment Management Co., Ltd. (formerly Shanghai Shengge Asset Management Co., Ltd.); from July 1997 to July 2001, he served as an assistant to the director of office and listing department of the Shanghai Stock Exchange; from May 2004 to April 2015, he was a general manager at China Universal Asset Management Co., Ltd. Mr. Lin served as a director of Hangzhou Jiuyan Technology Co., Ltd. (a company previously listed on NEEQ (previous stock code: 836484.NEEQ)) from July 2015 to February 2021; a non-executive director of Wenzhou Kangning Hospital Co., Ltd. (a company listed on the Hong Kong Stock Exchange (stock code: 2120.HK)) from June 2017 to April 2021; a non-executive director of InnoCare Pharma Limited (a company listed on the Hong Kong Stock Exchange (stock code: 9969.HK)) from November 2018 to March 2021; and a non-executive director of Akeso, Inc. (a company listed on the Hong Kong Stock Exchange (stock code: 9926.HK)) from November 2019 to August 2020. Mr. Lin has also served as an independent non-executive director in each of the following companies: Shanghai Chengtou Holding Co., Ltd.* (a company listed on the Shanghai Stock Exchange (stock code: 600649.SH)) from June 2014 to March 2017; Shanghai Xinhua Media Co., Ltd* (a company listed on the Shanghai Stock Exchange (stock code: 600825.SH)) from September 2017 to October 2020; Yintech Investment Holdings Limited (a company listed on NASDAQ (stock code: YIN.US)) from April 2016 to September 2020; TANSH Global Food Group Co., Ltd. (a company listed on the Hong Kong Stock Exchange (stock code: 3666.HK)) from March 2016 to June 2019; Yunfeng Financial Group Limited (a company listed on the Hong Kong Stock Exchange (stock code: 0376.HK)) from November 2015 to March 2019; Luoxin Pharmaceuticals Group Stock Co., Ltd.*, (a company listed on the Shenzhen Stock Exchange (stock code: 002793.SZ)) from April 2020 to May 2021.

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

As at 31 December 2021, Mr. Lin is deemed to be interested in 78,852,000 A Shares and 37,189,000 H Shares under the SFO, see "—Directors', Supervisors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Chen Lieping 陳列平，64

Member of Strategic Committee

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

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

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

Dr. Chen is a director and directly interested in 14.63% of the equity interest of Dayou Huaxia Biotech Medical Group Co. Ltd.* (大有華夏生物醫藥集團有限公司) ("**Dayou Huaxia**"), which was a limited liability company established in the PRC on 27 September 2016 with a registered capital of RMB307.5 million. According to its business licence, Dayou Huaxia is licensed to engage in business activities including, among others, R&D in biopharmaceutical technology and diagnostic technology, medical research and tests. As confirmed by Dr. Chen, Dayou Huaxia is engaged in development of new antibody drug candidates and immunotherapy in practice, and it is currently at an early stage of R&D, and as of the date of this report, it had not registered or applied for registration of any patents, and there is currently no overlap between the Group's biologic drug candidates and those of Dayou Huaxia. The Company is of the view that since Dayou Huaxia is only at an early stage of R&D and with reference to the progress the Group has already achieved, there is no actual competition between the and Dayou Huaxia, notwithstanding that there may be potential competition in the future if Dayou Huaxia achieves any significant advancement in their R&D.

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Roy Steven Herbst, 59
Member of Strategic Committee

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

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

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

Qian Zhi 錢智，53
Member of Audit Committee, Nomination Committee, and Remuneration and Appraisal Committee

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

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Zhang Chun 張淳，64

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

Appointed to the Board: June 2020

Joined the Group: June 2020

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

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

Feng Xiaoyuan, 65

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

Appointed to the Board: December 2021

Joined the Group: December 2021

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Wu Yu 鄔煜，36

Chairman of the Board of Supervisors

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

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

Wang Pingping 王萍萍，40

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

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

Huo Yilian 霍依蓮，31

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

Ms. Huo joined the Company and has been a purchasing manager of the Company since April 2021, and has been a supervisor of Shanghai Junshi Xihai Biotechnology Co., Ltd.* since September 2021. Ms. Huo's main experience prior to joining the Group includes: from November 2016 to May 2017, she served as a commercial operation coordinator at NBCUniversal Inc.; from April 2018 to June 2018, she served as a sales specialist in General Electric (China) Co., Ltd.; and from July 2018 to March 2021, she served as a sales specialist in ABB (China) Co., Ltd. Shanghai Branch.

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Wang Gang 王剛，64

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

Xu Baohong 許寶紅，43

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

Chen Yingge 陳英格，30

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

Other Senior Management Team

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Chen Yingge 陳英格

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

Lai Siu Keun 黎少娟

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

BOARD OF DIRECTORS

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

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

CORPORATE GOVERNANCE REPORT

Board Composition

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

Executive Directors

Mr. Xiong Jun (Chairman and Legal Representative)
Dr. Li Ning (Chief Executive Officer and General Manager)
Mr. Li Cong (Co-Chief Executive Officer) (Re-designated to an executive Director from a non-executive Director and appointed as the co-chief executive officer with effective from 2 November 2021)
Dr. Feng Hui
Mr. Zhang Zhuobing
Dr. Yao Sheng

Non-executive Directors

Dr. Wu Hai
Mr. Tang Yi
Mr. Lin Lijun
Mr. Yi Qingqing (Resigned with effect from 29 June 2021)

Independent Non-executive Directors

Dr. Chen Lieping
Dr. Roy Steven Herbst
Mr. Qian Zhi
Mr. Zhang Chun
Dr. Feng Xiaoyuan (Appointed with effect from 16 December 2021)
Dr. Jiang Hualiang (Resignation received on 30 August 2021, and was effected from 16 December 2021)

The biographical information of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" on pages 57 to 68 of this annual report.

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

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

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

CORPORATE GOVERNANCE REPORT

Chairman, Chief Executive Officer and Co-Chief Executive Officer

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

Independent Non-executive Directors

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

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

Appointment and Re-election of Directors

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

Continuous Professional Development of Directors

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

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

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

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

CORPORATE GOVERNANCE REPORT

The training records of the Directors for the year ended 31 December 2021 are summarized as follows:

Directors	Type of Training *Note*
Executive Directors	
Mr. Xiong Jun	A/B
Dr. Li Ning	A/B
Mr. Li Cong (Re-designated as an executive Director with effect from 2 November 2021)	A/B
Dr. Feng Hui	A/B
Mr. Zhang Zhuobing	A/B
Dr. Yao Sheng	A/B
Non-executive Directors	
Dr. Wu Hai	A/B
Mr. Tang Yi	A/B
Mr. Lin Lijun	A/B
Mr. Yi Qingqing (Resigned with effect from 29 June 2021)	A/B
Independent Non-executive Directors	
Dr. Chen Lieping	A/B
Dr. Roy Steven Herbst	A/B
Mr. Qian Zhi	A/B
Mr. Zhang Chun	A/B
Dr. Feng Xiaoyuan (Appointed with effect from 16 December 2021)	B
Dr. Jiang Hualiang (Resignation received on 30 August 2021, and was effected from 16 December 2021)	A/B

Note:

Types of Training

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

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

BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT

Audit Committee

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

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

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

Remuneration and Appraisal Committee

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

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

The Remuneration and Appraisal Committee held two meetings during the Reporting Period to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management and other related matters, and also to make recommendation on the list of participants to be granted the restricted shares under the reserved grant of the 2020 Restricted A Share Incentive Scheme.

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

CORPORATE GOVERNANCE REPORT

Nomination Committee

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

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

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

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

Board Diversity Policy

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

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

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

The Nomination Committee will review the Board Diversity Policy and its implementation from time to time. At present, all Directors are male, and we understand the special importance of gender diversity, as such we will strive to achieve gender diversity of the Board. In selecting and recommending suitable candidates to become members of the Board, the Company will seize opportunities to increase the proportion of female Board members, and promote gender diversity based on Shareholders' expectations and recommended best practices. The Company expects to appoint at least one female director by 31 December 2022, and plans to promote gender diversity in the recruitment of mid- and senior-level employees, so that the Company has more potential female senior management and Board members.

CORPORATE GOVERNANCE REPORT

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

Directors	Gender	Age	Length of Service as Director (Date of Appointment as Director)
Executive Directors			
Mr. Xiong Jun	Male	48	More than 7 years (27 March 2015)
Dr. Li Ning	Male	60	More than 3 years (24 June 2018)
Mr. Li Cong (Re-designated as an executive Director with effect from 2 November 2021)	Male	57	More than 5 years (22 December 2016)
Dr. Feng Hui	Male	45	More than 7 years (27 March 2015)
Mr. Zhang Zhuobing	Male	54	More than 5 years (22 December 2016)
Dr. Yao Sheng	Male	46	More than 5 years (22 December 2016)
Non-executive Directors			
Dr. Wu Hai	Male	48	More than 5 years (22 December 2016)
Mr. Tang Yi	Male	53	More than 6 years (30 May 2015)
Mr. Lin Lijun	Male	48	More than 3 years (24 June 2018)
Mr. Yi Qingqing (Resigned with effect from 29 June 2021)	Male	50	More than 5 years (22 December 2016)
Independent Non-executive Directors			
Dr. Chen Lieping	Male	64	More than 2 years (24 June 2018)
Dr. Roy Steven Herbst	Male	59	More than 3 years (24 June 2018)
Mr. Qian Zhi	Male	53	More than 3 years (24 June 2018)
Mr. Zhang Chun	Male	64	Not more than 2 years (19 June 2020)
Dr. Feng Xiaoyuan (Appointed with effect from 16 December 2021)	Male	65	Not more than 1 year (16 December 2021)
Dr. Jiang Hualiang (Resignation received on 30 August 2021, and was effected from 16 December 2021)	Male	57	Not more than 2 years (16 November 2020)

As at 31 December 2021, the Company had 1,343 male employees (47.88%) and 1,462 female employees (52.12%). The Board is satisfied with the gender diversity of our employees and no measurable objective with respect to gender diversity has been adopted as of the date of this announcement. We will continue to ensure that gender diversity is maintained when recruiting employees at all levels.

CORPORATE GOVERNANCE REPORT

Director Nomination Policy

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Strategic Committee

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

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

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

Corporate Governance Functions

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

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

ATTENDANCE RECORDS OF DIRECTORS

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

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategic Committee	General Meeting[1]
Mr. Xiong Jun	10/10	–	2/2	3/3	1/1	4/4
Dr. Li Ning	10/10	–	2/2	–	1/1	4/4
Mr. Li Cong (Re-designated as an executive Director with effect from 2 November 2021)	10/10	5/5	–	–	–	4/4
Dr. Feng Hui	10/10	–	–	–	–	4/4
Mr. Zhang Zhuobing	10/10	–	–	–	–	4/4
Dr. Yao Sheng	10/10	–	–	–	–	4/4
Dr. Wu Hai	10/10	–	–	–	–	4/4
Mr. Tang Yi	10/10	0/5	–	–	–	4/4
Mr. Lin Lijun	10/10	–	–	–	–	4/4
Mr. Yi Qingqing (Resigned with effect from 29 June 2021)	4/10	–	–	–	–	3/4
Dr. Chen Lieping	10/10	–	–	–	1/1	4/4
Dr. Roy Steven Herbst	10/10	–	–	–	1/1	4/4
Mr. Qian Zhi	10/10	5/5	2/2	3/3	–	4/4
Mr. Zhang Chun	10/10	5/5	2/2	–	1/1	4/4
Dr. Feng Xiaoyuan (Appointed with effect from 16 December 2021)	1/10	–	0/2	0/3	–	0/4
Dr. Jiang Hualiang (Resigned on 30 August 2021, and with effect from 16 December 2021)	9/10	–	2/2	3/3	–	4/4

Note:

(1) During the Reporting Period, the Company convened four general meetings (including one annual general meeting, one extraordinary general meeting, one A share share class meeting and one H share class meeting).

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 171 to 172.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the Reporting Period amounted to RMB3,330,000 and RMB1,658,000 respectively.

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

Service Category	**Fees Paid/Payable (RMB)**
Audit Services	3,330,000
– Annual Report	3,330,000
Non-audit Services	1,658,000
– Interim Report	1,050,000
– Tax Service	608,000
	4,988,000

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

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

Due to an internal staff resources reallocation of Tricor Services Limited, Ms. Lai Siu Kuen of Tricor Services Limited has been appointed as joint company secretary of the Company in place of Ms. Wong Yik Han with effect from 29 April 2021. Relevant details had been set out in the announcement of the Company dated 29 April 2021.

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

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

SHAREHOLDERS' RIGHTS

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

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

Convening an Extraordinary General Meeting

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

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

CORPORATE GOVERNANCE REPORT

Putting Forward Proposals at Extraordinary General Meetings

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

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

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

Putting Forward Enquiries to the Board

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

Contact Details

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

For H Shareholders

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

For A Shareholders

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

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

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

The Articles of Association of the Company was approved for amendment by the shareholders of the Company at the annual general meeting of the Company held on 29 June 2021 and the extraordinary general meeting of the Company held on 16 December 2021, respectively. The changes were mainly to reflect:

1. the change of registered address of the Company;

2. the change of composition of the Board of Supervisors; and

3. the exercise of Pre-IPO Options granted under the 2018 Pre-IPO Share Incentive Scheme.

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

Policies relating to Shareholders

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

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

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

(1) cash;

(2) shares; and/or

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

- Reporting period:

  From 1 January 2021 to 31 December 2021 ("**2021**").

- Reporting scope

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

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

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

- Basis of preparation

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Index selection

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

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

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

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

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

- Source of data

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

- Form of publication

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. ABOUT JUNSHI BIOSCIENCES

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

Our main businesses are as follows:

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a young and innovative biopharmaceutical company, our mission is to address unmet clinical needs and ensure people's access to medical care, for which we continuously promote the development and growth of the Company. In 2021, the Company's business developed rapidly, and made remarkable achievements in the fields of R&D, production and commercialization with total operating income of RMB4,025 million, representing an increase of 152.36% as compared with the previous year.

Operating Performance in 2021

In 2021, our product pipeline expanded rapidly. There were a total of 3 assets (toripalimab, etesevimab and adalimumab) under commercialization, 23 assets under clinical trials (in particular, ongericimab, VV116, bevacizumab and PARP inhibitor were under Phase III clinical trials) and over 25 drug candidates under pre-clinical drug development.

Total operating income of the Company reached RMB4,025 million, representing a year-on-year increase of 152.36%. R&D expenses amounted to RMB2,069 million, representing a year-on-year increase of 16.35%, which strongly supported the R&D for the innovative drugs projects of the Company.

Etesevimab (JS016), a novel coronavirus antibody jointly developed by the Company and the Institute of Microbiology, Chinese Academy of Sciences, and bamlanivimab (LY-CoV555) of Eli Lilly and Company administered together was granted the Emergency Use Authorization in more than 15 countries and regions around the world, and became the first and the only neutralizing antibody therapy in the world for emergency use in individuals aged 12 or below, which was listed in the top 10 science and technology news from around the world in 2021 released by China Media Group.

Toripalimab was showcased in an exhibition on China's major scientific accomplishments during the 13th Five-Year Plan period. Its two indications were included in the National Reimbursement Drug List, which filled the gaps in immunotherapy for patients with advanced NPC and non-selective patients with advanced UC in the NRDL, and became the only anti-PD-1 monoclonal antibody used in the treatment of melanoma and NPC in the NRDL.

The study results of toripalimab as first-line treatment in nasopharyngeal carcinoma were published in Natural Medicine, an international top journal, as the first innovative drug study in China featured on it cover for 26 years since its publication. The Company completed the rolling submission of BLA for the indication of toripalimab in combination with chemotherapy for the first-line treatment of recurrent or metastatic nasopharyngeal carcinoma, and the indication of toripalimab monotherapy for second or third line recurrent or metastatic nasopharyngeal carcinoma in September 2021. At the end of October 2021, the BLAs mentioned above were accepted by the United States Food and Drug Administration (the "**FDA**").

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Major rewards in 2021:

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

  - **In March 2021**, the Company was honored as a "Yi-accompanied – Bethune•Tuoyi Charitable Donation Program Caring Donation Enterprise" by Beijing Bethune Charitable Foundation.

  - **In May 2021**, the Company was awarded the 2020 Shanghai Scientific and Technological Progress First Class Award "COVID-19 clinical treatment and emergency use of innovative technology" by the Shanghai Municipal Government. The Company was listed in the TOP Growth Potential List under the "Golden Enterprises List" by Snowball Investment Refining Season.

Shanghai Scientific and Technological Progress First Class Award Certificate

  - **In June 2021**, the Company was awarded the "Top Ten Cutting-edge Pharmaceutical Innovation Companies for the Year" title, the "Top Ten Pharmaceutical Innovation Developments for the Year title for Recombinant humanized anti-BTLA monoclonal antibody injection" and the "Top Ten Pharmaceutical Innovation Developments for the Year title for recombinant fully human anti-SARS-CoV-2 monoclonal antibody injection" in the Securities Times 2020 Annual Pharmaceutical Innovation Salvation Awards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **In June 2021**, the Company was granted the "WIPO-CNIPA Award for Chinese Outstanding Patented Invention" by the China National Intellectual Property Administration and the World Intellectual Property Organization.

WIPO-CNIPA Award for Chinese Outstanding Patented Invention certificate

- **In July 2021**, the Company was honored as one of the "2021 STAR Market Leading Enterprises of Key and Core Technologies" by Caijing magazine and SMDC, and one of the "2021 Best Innovation STAR-listed Companies" in the "STAR Market 2nd Anniversary" Summit jointly organized by Jiemian-Cailian Press and the Financial Service Office of Xuhui District, Shanghai.

- **In August 2021**, the Company was honored as a "2020 China Pharmaceutical Innovation Force" by the China National Pharmaceutical Industry Information Center.

- **In September 2021**, the Company was honored as one of the "2021 China Biologics Research and Development Strength Top Three" and one of the "2021 China Pharmaceutical Research and Development Comprehensive Strength TOP 20" in the 2021 Conference on High Quality Development of Healthcare Industry & the Sixth Summit for China Pharmaceutical R&D in Innovation, and was listed in the 2020 Chinese Antibody Drug Companies Innovation TOP30 Ranking by the "2020 China's Top 100 BioMeds in Innovation" Expert Committee of menet.com.cn.

- **In November 2021**, the Company was granted the awards of "2021 (Healthy China 21 Cancer Care) Top Ten Blockbuster Innovative Anti-cancer Drugs with Excellent Potential: Toripalimab" and "2021 (Healthy China 21 Cancer Care) Top Ten Enterprises with Excellent Cases of Cancer Health Diagnosis and Treatment" at the Fifth China Health Industry Summit 2021 organized by 21st Century Business Herald and 21st Century New Health Research Institute.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **In December 2021**, the Company was honored as one of the "2021 Listed Companies of Outstanding Value" by the China's Financial Annual Champion Awards of Hexin.com, one of the "2021 Most Valuable Investment Pharmaceutical Enterprises" by the Sina 2021 Annual Pharmaceutical Ranking, and one of the "Best New Economy Listed Companies in Hong Kong and U.S. Stock Markets" at the Sina Finance Overseas Investment Summit "Golden Kirin", and was granted the "2021 Outstanding Innovation Efficiency Award for Chinese Listed Companies" at the JRJ 10th "GoldenWis" Award Ceremony of JRJ Navigation China.

- **In December 2021**, the Company was honored as one of the "Seventh Pudong Headquarters Economy Ten Classic Samples" by the People's Government of Pudong New Area.

- **In December 2021**, the Company was granted the "2021 Best Social Responsibility Award (2021最具社會責任獎)" from the China Social Welfare Foundation.


荣誉证书
CERTFICATE OF HONGOR
上海君实生物医药科技股份有限公司：
感谢贵单位对公益慈善事业的支持，恭喜您荣获
中国社会福利基金会
最具社会责任奖
特发此证，以示感谢。
中国社会福利基金会
2021年12月

China Social Welfare Foundation Best Social Responsibility Award

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. KEY ISSUES: JOIN HANDS TO FIGHT AGAINST THE PANDEMIC AND PROTECT YOUR SAFETY

In 2021, the global COVID-19 pandemic continued to spread. While ensuring the prevention and control of the pandemic and protection of employees' health, Junshi Biosciences responded quickly with its own R&D and industrialization platform, invested in the development of anti-pandemic drugs, and actively assumed the social responsibility as a local innovative pharmaceutical enterprise. At present, the Company has established a R&D pipeline consisting of a variety of anti-COVID-19 neutralizing antibody drugs and small molecule oral drugs, and the multiple anti-pandemic measures are expected to be a powerful complement to vaccines.

- Comprehensive Employee Health Protection

  We closely monitor the development of the pandemic and actively improve our internal management system. In 2021, we added the Visitor Application Form and the Employee Travel Report Form to manage foreign visitors and internal employees respectively. We also follow up with every affected employee and try to arrange for them to work from home. On this basis, we purchased sufficient pandemic prevention supplies, including pandemic prevention facemasks, disinfectants and thermometers, and monitored the temperature of all employees entering the office. We regularly disinfect the office space. When an employee becomes a close contact or big data defined contacts, we would get in touch with the employee as soon as possible, comfort them, and deliver necessary quarantine materials to the employee during the quarantine period. We also encourage employees to be vaccinated, and arrange special vaccination centers and shuttle buses for employees, including the injection of the third booster shot. When employees from middle and high risk areas return to Shanghai, we provide a single dormitory for 14 days of self-quarantine, and deliver three free meals daily.

- Accelerating the R&D of Anti-pandemic Drugs

In the field of neutralizing antibody drugs, the Company's first marketed product, etesevimab (JS016), is the first neutralizing antibody drug used in global anti-pandemic campaign in China, which was jointly developed by Junshi Biosciences and Institute of Microbiology, Chinese Academy of Sciences. As of the end of 2021, the use of etesevimab together with bamlanivimab, another antibody drug made by an overseas partner of the Company, Lilly, has been authorized in more than 15 countries and regions. There have been more than 700,000 patients treated with the two antibody drugs administered together, or just bamlanivimab, potentially preventing more than 35,000 hospitalizations and at least 14,000 deaths during the worst pandemic period. The safety and effectiveness of etesevimab have been recognized worldwide, which provides a China plan for the worldwide COVID-19 prevention and control. At the end of 2021, China Media Group selected the news titled "The safety and effectiveness of China COVID-19 antibody drug JS016 received worldwide recognition" as the "2021 Top Ten International Sci-Tech News".

The report on etesevimab being selected as "2021 Top Ten International Sci-Tech News"

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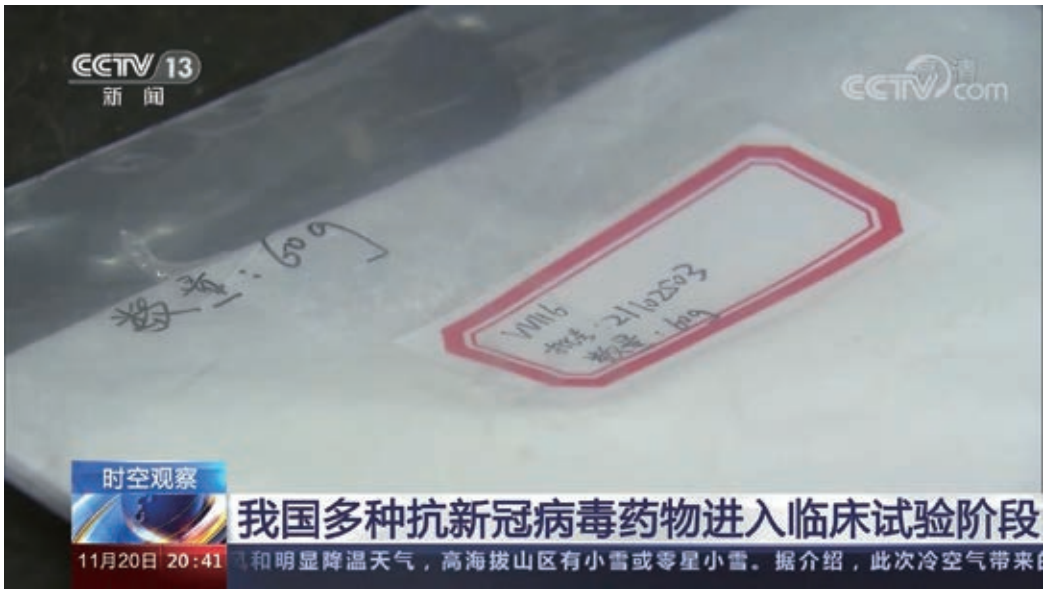
In the field of small molecule oral drugs, VV116, an oral nucleoside anti-COVID-19 drug jointly developed by the Company and our partners, is currently undergoing a global multi-center clinical study, among which three phase I studies in China have been completed recently, and the preliminary results show good clinical safety results. As of the date of this report, we are conducting an international multi-center, randomized, double-blind phase III clinical study to evaluate the efficacy and safety of VV116 compared with standard treatment in moderate and severe COVID-19 subjects, and have completed the first patient enrollment and drug administration. In addition, for mild to moderate COVID-19, the Company also launched an international multi-center, double-blind, randomized, placebo-controlled phase II/III clinical study (NCT05242042), which has completed the first patient enrollment and drug administration in Shanghai Public Health Clinical Center and is being carried out in several centers around the world. In December 2021, VV116 was approved for COVID-19 treatment in Uzbekistan.



The report on VV116 entering clinical trial stage

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We are also responsible for the research, production and commercialization of VV993, a candidate oral anti-COVID-19 drug targeting 3CL protease, together with our cooperative partners. VV116 and VV993 are drugs or candidate drugs developed for different key and conservative targets in the virus life cycle. Apart from being used alone to exert their respective clinical advantages or characteristics, they also have the prospect of "combining to resist viruses and complementing each other to achieve good effects". The project is currently in the pre-clinical development stage, and we will rapidly promote VV993 to the clinical stage, in order to solve the unmet clinical needs as soon as possible and contribute more Chinese innovative elements to the fight against pandemic diseases.

- Supporting Coronavirus Academic Forum

From 1 to 3 November 2021, the Research and Innovation Forum on Coronavirus (RIFC) jointly sponsored by Institute of Microbiology, Chinese Academy of Sciences and the Alliance of International Science Organizations (ANSO) under the Belt and Road Initiative was successfully held in Beijing. Junshi Biosciences participated in this forum as the organizer. With the theme of "Conquering SARS-CoV-2: Answers from Science", the forum was presided by academic leaders and had dominated with front-line scholars as the main subjects. More than 60 domestic and foreign experts in coronavirus research field, including academicians of Chinese Academy of Sciences, American Academy of Sciences and Brazilian Academy of Sciences, were invited to give the conference report, and exchanged and discussed four major topics: virus infection and pathogenesis mechanism, R&D of vaccines, antibodies and drugs, immune response mechanism and clinical diagnosis and treatment scheme, and public health and global health strategy, attracting over 600 online participants. The success of this forum helped to promote the exchange of ideas and strategic cooperation among scholars in different fields, and was also beneficial in promoting the development of global virology, immunology, etiology, vaccinology, public health and other fields.

The Research and Innovation Forum on Coronavirus (RIFC) hosted by Junshi Biosciences

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III. CORPORATE GOVERNANCE

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

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

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

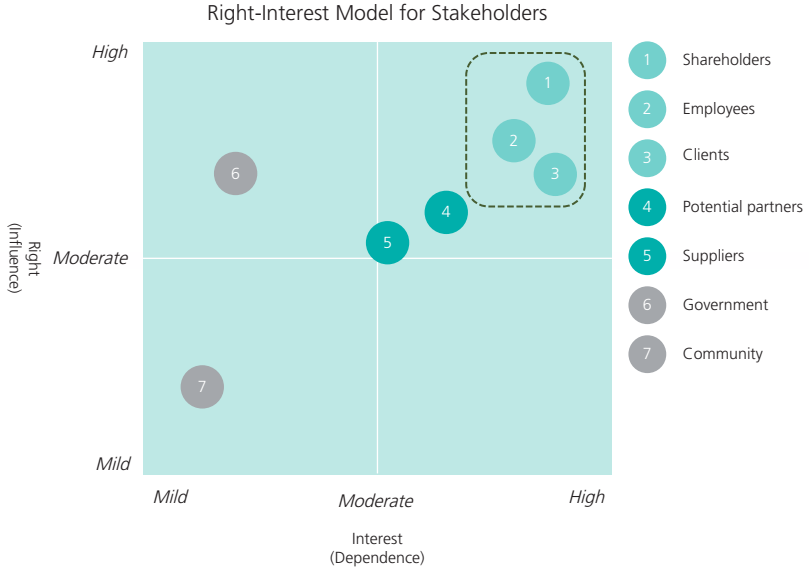
The reporting and disclosure of environmental, social and governance work information is an important channel for us to continuously improve corporate social responsibility performance and communicate with stakeholders. We have clarified the reporting path of environmental, social and governance work.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

IV. SUBSTANTIVE ISSUE ANALYSIS

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

1. Identification and Analysis of Stakeholders

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



Right-interest model for Junshi Biosciences' stakeholders

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

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2. Screening of Substantive Issues

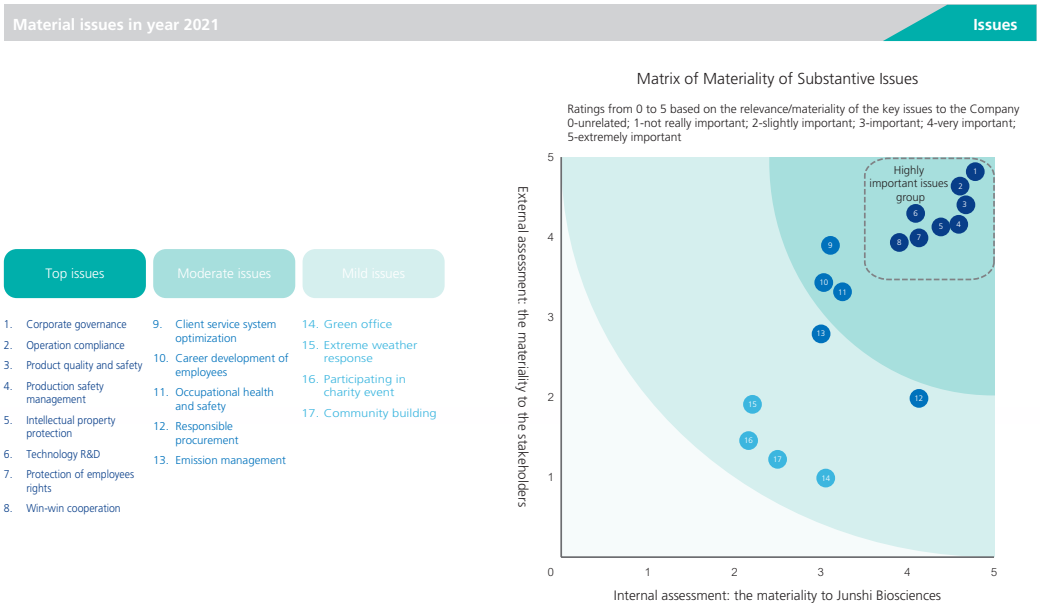
We communicated with stakeholders in the form of interviews, meetings, industrial exchanges and opinion surveys etc., and summarized the substantive issues stakeholders are concerned with as collected in our daily operation process, and adopted corresponding communication and response modes to fully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

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

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

3. Evaluation and Confirmation of Substantive Issues

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



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

V. OPERATION COMPLIANCE FOR SUBSTAINABLE GROWTH

Junshi Biosciences is committed to establishing a high-level compliance system, strictly abides by the relevant national laws and regulations and the pharmaceutical industry regulatory policies, persists in promoting and implementing the corporate culture of operation compliance, and advocates the compliance principle as well as business and personal ethics from top to bottom. We have established a whole-process compliance operation system for pre-event, in-process, and post-event practice, which covers reasonable pre-event approval, objective business confirmation, compliant in-process guidance, and comprehensive post-event review, and ensured operation compliance of the Company through the cooperation of different departments. We have also issued comprehensive compliance operation policies and constantly optimize the compliance requirements in the process of operation. We have set up management policies involving anti-fraud, meeting communications and exchange, information disclosure, investor relations management, etc. to ensure that the Company is always in a healthy and compliant operating environment. There was no significant non-compliance case in 2021.

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1. Anti-fraud and Compliance Operation

We always adhere to the highest standards of business ethics, comply with medical and ethical guidelines and laws and regulations such as the Law of the People's Republic of China against Unfair Competition and the Interim Provisions on the Prohibition of Commercial Bribery, and maintain a zero-tolerance attitude towards corrupt practices and commercial briberies. We have stipulated in the Articles of Association that our Directors, Supervisors and senior management must abide by the principle of good faith and fulfil their loyalty obligations, and must not abuse their power, accept bribes and misappropriating company funds. All of our employees, distributors and suppliers have signed the Code of Business Conduct and Ethics and promised to operate in compliance.

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

Employee participation in compliance training

We also encourage employees and all parties having direct or indirect economic relationship with the Company to report confirmed or suspected fraud or violations of professional ethics by employees through reporting hotline, email, mail, etc. If a report is received, the Company will arrange for the relevant business departments to verify and follow up and deal with it strictly. In 2021, the Company was not involved in corruption or bribery.

2. Meeting and Communication Compliance

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

In 2021, we also issued the Marketing Department Expense Management System to further manage and control marketing meetings in terms of the standardized operation of the meeting application, the reasonable allocation of the speaker's topics, the measures for the handling of breaches of regulation, budget management, etc., and further strengthen the Company's control of the whole process of marketing meetings, especially the standardized operation process in the pre-application stage.

3. Information Disclosure Compliance

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

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

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

4. Protection of Investors' Interests

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

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

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

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

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VI. INNOVATION & R&D

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

1. R&D Capability

- *R&D team*

  As a research-intensive enterprise, Junshi Biosciences believes that constant innovation is the power source for a company's sustained development. The Company increases its R&D investment used for clinical trials and talent attraction every year. For the year 2021, the Company's R&D expenses were RMB2,069 million, representing a year-on-year increase of 16.35%, which strongly supported the R&D for the innovative drugs projects of the Company.

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

2. R&D Progress and Achievements

- *Ongoing projects and achievements*

  In 2021, the product pipelines of the Company increased to more than 51 assets under clinical trials and covered five major therapeutic areas. Many of our drug candidates also made progress.

- *R&D achievement sharing*

  In 2021, we continued to share our research progress in the industry, with a number of research results published in international authoritative academic journals and academic conferences.

  - **The first-line study results on treating nasopharyngeal carcinoma with toripalimab were published in *Nature Medicine***

On 15 September 2021, the study results of the first-line treatment of recurrent or metastatic nasopharyngeal carcinoma (JUPITER-02) with the local innovative drug toripalimab in combination with chemotherapy led by Professor Xu Ruihua from the Sun Yat-sen University Cancer Center were published in the top international journal *Nature Medicine* by being recommended on the cover. This is also the first time in 26 years since publication that *Nature Medicine* recommended Chinese innovative drug research on the cover, once again demonstrating the leading position of the "Chinese scholars + local innovative drugs" in the field of international clinical research.

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- **Report of the annual meeting of the European Society of Oncology**

At the Congress 2021 of the European Society for Medical Oncology (ESMO), a total of 11 latest studies of toripalimab were presented in the form of oral reports and wall newspapers, covering digestive tract tumors, lung cancer, gynecological tumors, urothelial cancer, head and neck tumors, etc. Among them, the study results of phase III clinical trial (JUPITER-06) of first-line treatment of advanced or metastatic esophageal squamous cell carcinoma (ESCC) with toripalimab in combination with chemotherapy were published for the first time, which significantly improved the survival benefits of patients and is expected to become a new standard treatment scheme in this field.

Professor Wang Feng from Sun Yat-sen University Cancer Center gave an oral report on JUPITER-06 study results at ESMO Congress

- **Revealed at the national 13th-Five-Year technological innovation achievement exhibition**

The first domestic anti-PD-1 monoclonal antibody drug, toripalimab injection, independently developed by Junshi Biosciences, was revealed at the national Thirteenth-Five-Year technological innovation achievement exhibition. During the Twelfth Five-Year Plan and Thirteenth Five-Year Plan period, the drug was granted two major special scientific and technological support for new drug creation, marking it one of China's landmark scientific and technological achievements that supports the high-quality development of China with technology. The drug has played an extremely important role in helping medical care, improving access to drugs and reducing drug costs.

3. Intellectual property protection

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

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

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

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

As of 31 December 2021, the Company owned 108 licensed patents, of which 84 were domestic patents and 24 were overseas patents.

VII. IN PURSUIT OF QUALITY-FIRST POLICY

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

1. Quality Management

We attach great importance to product quality, uphold the policy of "quality first, respect lives, continuous innovation, and pursuit of excellence", and strictly abide by the Drug Administration Law of the PRC, the Pharmaceutical Clinical Trials Quality Management Practices, the Pharmaceutical Manufacturing Quality Management Practices, the Measures for the Reporting and Monitoring of Adverse Drug Reactions and other PRC regulations, as well as the requirements of the European Union Pharmaceutical Administration Regulations, the U.S. Federal Regulations and the Tripartite Coordination Guidelines of the International Coordination Conference for the Registration of Technical Requirements for Human Drugs. In July 2020, the National Medical Products Administration and the National Health Commission promulgated the Pharmacopoeia of the PRC 2020 Edition, which became effective from 30 December 2020. Such regulations have made changes to the general rules, guiding principles, and inspection of relevant raw and auxiliary materials. The quality department also strictly implements relevant inspections and laboratory management in accordance with the Pharmacopoeia of the PRC 2020 Edition to ensure the quality of our materials and products.

We have formulated the Quality Manual in accordance with the above laws and regulations as the highest quality management programmatic document of the Company to clarify the quality requirements in the quality management system, quality control system, production system and other aspects, as well as the management responsibilities of various quality-related departments. During the production process, the quality control department participates in the whole process and conducts regular inspections to monitor and adjusts the production process to ensure that our products meet the relevant quality standards, and collects product samples and conducts sample tests to determine whether they meet the quality standards. For finished products, each batch of finished products will be inspected by the quality control team before delivery, and released for sale only after it is confirmed to be qualified. In addition, according to the Measures for the Administration of Changes after Drug Marketing newly promulgated in 2021, we also carry out compliance management for the changes after the product is being launched on the market, and proactively undertake the responsibilities for changes of drug-related matters, and the safety, effectiveness and quality controllability of drugs.

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We carry out quality training and assessment for employees on a regular basis according to GMP standards, and assign employees to participate in specialized training organized by external industry organizations and government departments, so as to ensure employees' continuous improvement in GMP knowledge and job skills, and then constantly ensure product quality. In 2021, we strengthened the knowledge training of GMP regulations in other countries and alliances (such as FDA, EU, etc.), with the hope that employees can have an international development. The training content covers the production code of conduct, basic microorganism knowledge, laws and regulations, etc. Employees' active participation showed their academic interests in maintaining product quality.

Case scenarios: The first Quality Month of the Lingang Production Base of Junshi Biosciences was successfully held

In order to create a quality culture of honesty, transparency and excellence, maintain the quality system with continuous improvement, and improve the quality management level, the Lingang Production Base of Junshi Biosciences held the first Quality Month themed "Winning in Quality", which lasted for a month. Five series of activities were planned and designed by the front-line young employees, including "Bigshot Lecture", "Fun Quality Competition", "Technical Terms Battle", "Quality Incident Detective" and "Quality Star Award". A diversified range of activities facilitated employees' participation while deepening and improving their awareness of quality management from various perspectives.

Dr. Wang Gang, the Chief Quality Officer, shared his personal experience

Presented awards to "Quality Star" winners

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In order to manage our product quality more scientifically and efficiently, the Quality Management Center took the lead in establishing and continuously optimizing a series of Electronic Quality System (EQS) projects in 2021, including Document Management System (DMS), Training Management System (TMS), Quality System Management System (QMS) and Laboratory Information Management System (LIMS), These systems were simultaneously implemented at the Group headquarters, Suzhou Union and Junshi Biotechnology, so as to transit from traditional "paper management" to "electronic management", and help us to keep pace with the international advanced management concepts, greatly enhance the quality management system operation efficiency, and further improve data reliability and compliance.

In 2021, we organized nine internal audits and accepted seven external inspections/audits, covering organizational structure, production management, quality management, laboratory management, supplier management, materials and warehouse management, equipment management, etc. All entities passed the inspections smoothly, no major or above defects were found, and the standards of the corresponding quality management system were met.

Intelligent quality and production management system

2. Customer Service

- *Sales team*

  We have established a specialized sales team responsible for commercializing toripalimab and other drug candidates. Each functional team member under the commercialization department has extensive experience in the promotion and commercialization of innovative drugs and oncology field drugs. Among them, the regional sales directors of the domestic sales team have worked in transnational pharmaceutical companies, and have over ten years of experience in the promotion of innovative anti-tumor drugs. They were responsible for the most widely used anti-tumor drugs in the world, including gefitinib, sorafenib, bevacizumab and rituximab. We focus on the management and training of the entire commercialization team, while effectively improving the operational efficiency of the sales team through scientific internal organizational structure design. In the choice of sales channels, we focus on the qualifications and reputation of distributors in the industry and the level that target hospitals and end customers match with us.

- *Customer privacy protection & complaint management mechanism*

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

  Besides, in response to the Biosecurity Law of the PRC and the Personal Information Protection Law of the PRC which were newly promulgated in 2021, we strictly followed the national requirements on biosecurity and continued to strengthen supporting management to develop a compliance system that can adapt to future regulatory trends. In particular, for the management of human genetic resources, illegal collection, illegal sharing and unauthorized cross-border transfer of such resources are strictly prohibited. We also regulated personal information processing activities to protect sensitive personal information involving biometrics, medical and health, etc.

For customer information communication and feedback, we formulated the Customer Complaint Management Standard Operating Procedures and the Drug Adverse Reaction Management Standard Operating Procedures, and established an adverse reaction monitoring system to closely monitor customers' experience with our products. We have opened a third-party phone platform and set up an adverse event report page on the Company's official website such that customers may report adverse reactions to us through various channels. We also assigned personnel to carry out follow-up tracking. In 2021, there was no product complaint on the Company's toripalimab injection.

Junshi Biosciences Online Adverse Event Reporting Platform

- *Product recall mechanism*

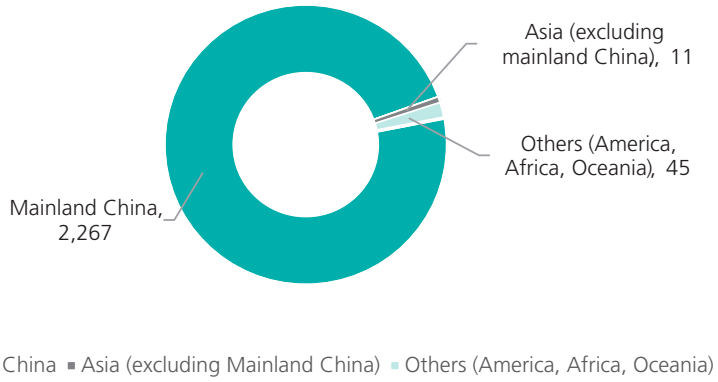
We care about drug safety, and have formulated the Drug Recall Management Standard Operating Procedures and the Product Returns Management Standard Operating Procedures to regulate the management procedures in relation to product returns and recalls. We also conducted whole-process product recall trainings to ensure the operational effectiveness of the product recall mechanism. In 2021, there was no recall on the Company's toripalimab injection due to safety and health reasons.

Product recall process flow chart

3. Supplier Management

Standardizing and strengthening supplier management can create a positive competition environment for the Company, reduce procurement risks, and maximize the comprehensive benefits of procurement quality, cost, service and efficiency. We formulated the Supplier Management Procedures, the Procurement Standard Management Procedures, the Outsourcing and Management of Clinical Services, and other procurement and supplier management systems, regulated procurement application, payment, acceptance and other processes, and specified the evaluation and selection criteria for different types of suppliers, dynamic management and information archive management requirements. We also launched the Enterprise Resources Planning system to support the scientific and efficient management of the whole process of procurement through the system while perfecting the system. In 2021, in order to regulate procurement, strengthen management and supervision of suppliers, and make procurement process standardized, professional and transparent, we promulgated the Supplier and Procurement Management SOP, which facilitates compliance management on supplier access, continuous evaluation, integrity management, procurement price quotation and comparison, contract review, receipt and payment application and other aspects, to provide guarantee for the smooth progress of company operations and project construction. The group procurement center was also successfully put into operation in January 2021, which minimized procurement and management costs. As of the end of 2021, we had 2,323 major suppliers, and 98% of them were from mainland China. We encourage the use of local suppliers first to promote local employment, technology and economic development.

Number of suppliers by region



Case scenario: Localized manufacturing of bioreactors

In recent years, domestic biopharmaceutical companies continue to be stifled with by foreign technologies. In particular, the import rate of core process, equipment, instruments and consumables remained high. On the contrary, in view of the current international situation and national strategy, the localized manufacturing of core process equipment is a matter of great urgency. Junshi Biosciences commenced the 8*15,000L stainless steel production line project in 2021, which is currently one of the few ultra-large-scale commercial production lines in China. In this project, we chose the localized 15,000L large antibody reactors manufactured by Andgel Industrial (Shanghai) Co., Ltd.. Junshi Biosciences will greatly reduce the production cost while shortening the delivery period, and can market the drugs earlier, providing Chinese people with better quality and more affordable biological drugs; Shanghai Andgel will gain valuable practical experience in manufacturing large-scale reactors, such that foreign technologies will no longer stifle domestic biopharmaceutical companies, and even encourage Chinese-made reactors to go global. Upon completion of the project, domestic biopharmaceutical companies will also choose to use more domestic reactors, and the construction cost of the entire industry will be effectively improved.

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

In 2021, our procurement process went smoothly without any delay in production, clinical trials and engineering construction. The continuous improvement in supply chain management provided guarantee for production and project R&D. For construction projects and service projects that require bidding, we strictly follow the Bidding Law of the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VIII. CONCERTED EFFORTS IN ENVIRONMENTAL PROTECTION

Junshi Biosciences knows that the development of enterprises is closely related to the environment, and we always emphasize the importance and necessity of green production. In the course of daily production and operation, we adhere to the policy of "green development through energy conservation, pollution reduction, compliance with laws, and constant optimization", strengthen the role of various departments of the Company in the supervision and management on energy use and management process, and strictly deal with all kinds of wastes discharged in the process of production. At the same time, we are concerned about the impact of extreme weather on production to ensure the sustainability of our operations. We conduct environmental risk analysis from time to time, review the environmental impact of project construction and production and operation, timely rectify various hidden dangers, and formulate special emergency plans, so as to protect the surrounding ecological environment, and are committed to building an eco-friendly enterprise. There was no environment-related non-compliance case in 2021.

Lingang Production Base

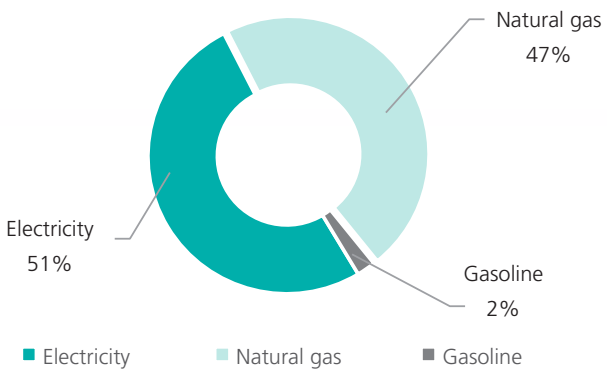
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. Use of Resources

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

During the production process, we mainly consume water, natural gas, electricity and gasoline. In 2021, we consumed 79,854.55 MWh of energy in total. Among them, electricity consumption was 40,820.20 MWh and natural gas consumption was 37,289.90 MWh. The total greenhouse gas emission equivalent was 35,535.04 tons, comprising direct emissions (scope 1) of 8,069.64 tons, mainly from the combustion of natural gas and gasoline, and indirect emissions (scope 2) of 27,465.40 tons, mainly from purchased electricity.

Energy consumption by energy type



In 2021, we consumed 411,962.40 cubic meters of water in total. Although the Company's business operations are not located in water-stressed regions, we continue to encourage improvement in water use efficiency in each operating unit to become a resource-saving enterprise. In 2021, based on the Building Management System (BMS) system and the energy management system we installed, we installed additional secondary and tertiary water meters to have more accurate classification and statistics on electricity and water consumption. At the same time, we strengthened inspection and repair of water leakage points, increased the frequency of inspections on water-consuming equipment, and posted water-saving slogans, thereby reducing unnecessary water and energy consumption to a greater extent. In addition, we try our best to avoid electricity consumption during peak hours and implemented electricity consumption in an economical way. We also scheduled regular maintenance for production equipment, and regularly and timely replaced the parts that need to be replaced to ensure production efficiency and safety. In the future, our goals as to greenhouse gas emission and energy will be to actively respond to the national call for "3060" carbon peaking and carbon neutrality goals. With the data support of the energy management system and the effectiveness of energy saving and emission reduction measures, we will further reduce the energy consumption of production equipment and improve the efficiency of using water resources.

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

2. Emission Management

We have established the environment, health and safety ("**EHS**") department and recruit professionals with extensive experience in EHS to be responsible for EHS work, in order to effectively manage emissions during R&D and production process. In complying with the Environmental Protection Law of the PRC, Law of the PRC on the Prevention and Control of Atmospheric Pollution, Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Waste (2021 Edition), the Regulations of Shanghai Municipality on Environmental Protection, the Environmental Protection Regulations of Jiangsu Province and other laws, regulations and normative documents, we developed the Solid Waste Management System, the Standard Operating Procedures for Waste Management, the Standard Operating Procedures for Biological Waste Management, and the Standard Operating Procedures for Preventing Pollution, Cross-pollution, and Errors in Production Workshops, which clarified the collection, storage, and treatment methods for various types of waste, in order to realize recycling and harmless treatment for these waste, thereby minimizing the negative impacts on the environment.

- *Exhaust emission*

  The main exhaust produced during our production process include buffer waste gas, experimental waste gas, boiler combustion waste gas, etc. In 2021, our emission of main exhaust was 4.10 tons in total. The main pollutants in the exhaust gas included 4.06 tons of nitrogen oxides (NOx) and 0.04 tons of sulfur oxides (SOx).

In order to effectively control the exhaust emissions and reduce environmental pollution, we adopt different treatment methods, such as lye spray and activated carbon adsorption, etc., according to the types of exhaust to ensure the discharge after proper treatment. In 2021, no excessive emissions occurred. The emission data was far below the maximum allowable emission concentration and rate stipulated by the regulations and standards. In the future, our exhaust emission goal will be to further optimize the process flow, maintain the current good emission performance, and strictly control the emission data far below the various standards in various business locations.

- *Wastewater discharge*

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

- *Solid waste management*

  Our main solid waste is from the production process, which can be categorized into non-hazardous wastes and hazardous wastes. Non-hazardous wastes include activated sludge, inorganic waste, waste molecular sieves, waste plastic, waste glass and domestic wastes. Hazardous wastes include laboratory chemical waste liquid, waste pharmaceuticals, waste activated carbons, waste disposable shake flasks, waste disposable reactors, waste filters, waste ion exchange resins, waste packaging, defective products, laboratory solid wastes, etc. In 2021, we generated 140.50 tons of hazardous wastes and 274.80 tons of non-hazardous wastes.

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

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

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

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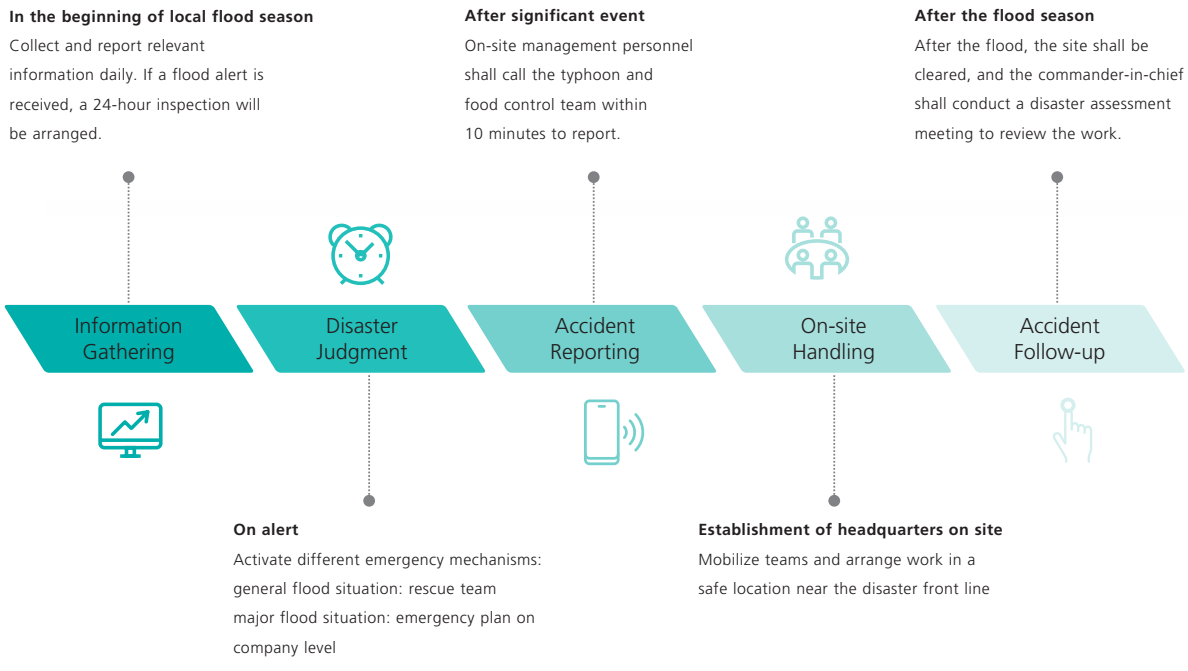
3. Extreme Weather Response

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



Emergency Response Process

IX. WARMTH AND CARING FOR THE SOCIETY

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

1. Employee Caring

In 2021, while continuing to comply with the Labour Law of the PRC, the Labour Contract Law of the PRC, the Special Provisions on Labour Protection of Female Employees, and other laws and regulations, we further constructed a standardized system and reviewed a number of policies, processes and template documents related to employment, including the Labour Contract Renewal Agreement, the Probation Period Management, the Health Standards of Hiring Employees of Shanghai Junshi Biosciences, the Internal Recommendation Guidelines, the Attendance and Holiday Management and the Company's Allowance Management Measures, so as to regulate the internal management system and protect the rights and interests of both the Company and employees.

Adhering to the basic principle of "harmonious development and continuous symbiosis", we sustained our current employment policy and signed labour contracts with all employees in 2021. We adhere to the principle of "equal gender". The number of employees in 2021 within the scope of this report is 2,805, of which about 52% are female. We adhere to the principle of "being inclusive and diverse". Among our employees, in addition to Chinese employees, there are employees from the U.S., the United Kingdom, Malaysia, Singapore and other countries, and employees from China Taiwan as well. We also welcome colleagues from different national minorities such as Bai, Zang, Chuanqing, Hui and Manchu. For employees with different nationalities, ethnicities, races, genders, religious beliefs and cultural backgrounds, we adhere to the principle of "equal pay for equal work", and treat them equally in terms of employee recruitment, compensation and benefits, promotion, dismissal and retirement. We firmly resist the recruitment of child labour and forced labour. We have not had any illegal matters related to the employment of child labour or forced labour. If relevant violations of laws and regulations are found, the Company will deal with them in strict compliance with the employment policy.

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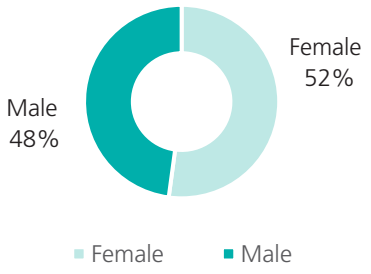
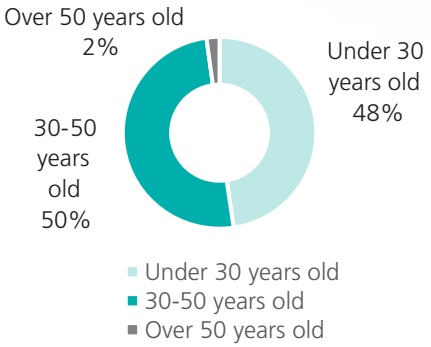
Gender distribution of employees



Age distribution of employees



We value employees' opinions and collect employees' opinions through various channels, such as employee opinion boxes and employee questionnaires. We continue to follow the human resources partner system and equip each employee with a human resources partner to provide feedback on various issues and demands raised by employees. At the same time, we also pay attention to resigned employees, conduct resignation interviews with them, analyze their main reasons for resignation, and take timely actions to retain talents for the Company. In 2021, we also specified the reporting channels in the Guidelines for the Prevention and Governance of Sexual Harassment to put a safety net in place to respect each individual in the workplace. In addition, we introduced resources from Antai College of Economics and Management of Shanghai Jiao Tong University and Cheung Kong Graduate School of Business, and carried out the Enterprise Balance and Coordination Diagnosis Study within the Company. The diagnosis results will serve as guidance for our daily management work to better improve employees' satisfaction.

- *Employee Development*

  We formulated the Measures for the Management of Employee Performance to protect the rights and interests of employees in career development and provide a clear and reasonable career path and platform for employees. In 2021, we further constructed a standardized system and reviewed a number of policies, processes and template documents related to performance and career advancement based on the actual situations. Specifically, we have revised and enhanced the Performance Management System, the Job Position Hierarchy System, the Career Advancement Policy Process and Timetable, the Cross-regional Transfer Policy and others, and added the Organizational Structure, Appointment and Removal and Job Position Hierarchy Management system, production performance bonus and others, so as to reward employees with a relatively fair return and career development for their hard work.

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We pay attention to the career development of employees. In 2021, apart from providing continued training for functional departments such as personnel, finance, IT, and administration, we also introduced external resources to arrange training sessions including "Performance Goal Interpretation Workshop", "Innovative Thinking and Problem Solving", "Emotion and Stress Management", "New Drug R&D Project Management Practice Sharing". We also arranged training on qualities for our newly graduated employees, which integrated military training and team development, in order to temper their will, enhance cohesion, accelerate their evolvement from students to working class, and select graduates with potential.

Employees participating in the "Performance Goal Interpretation Workshop" training

We also pay great attention to talent reserve for the future. In 2021, we signed a talent strategic development cooperation agreement with Xi'an Jiaotong University to become an off-campus practice education base for undergraduate and postgraduate students from Xi'an Jiaotong University, and signed a cooperation agreement with China Pharmaceutical University to become a training base for full-time master's degree postgraduate from China Pharmaceutical University. In addition, we also signed school-enterprise cooperation agreements with Guizhou College of Health Professions, Changchun Medical College, Qiannan Medical College for Nationalities, Shanghai Dianji University, Dezhou University and Chaohu University to continuously bring new talents to the Company.

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Junshi Biosciences and China Pharmaceutical University signed a cooperation agreement on the postgraduate training base

Junshi Biosciences and East China University of Science and Technology signed a cooperation agreement

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- *Health and safety*

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

In 2021, we continued to use our current annual health check-up benefit system which arranges medical examinations for employees every year, in order to detect abnormalities such as occupational contraindications for occupational diseases as early as possible. For positions involving occupational pollution, based on the results of occupational disease risk factor tests conducted by third parties, on-the-job employees are regularly scheduled to undergo occupational medical examinations before, during, and out of the job. They are also covered by medical and accident insurance to relieve their worries. At the same time, in order to prevent safety accidents and effectively reduce or eliminate factors that endanger employees' occupational health, the Company formulated strict safety management mechanisms in accordance with the Good Manufacturing Practice (GMP) requirements. We collected comprehensive statistics about our special equipment, established a special equipment list and a chemical risk identification list, improved management of on-site fire-fighting equipment, and strengthened management and control of contractors' construction safety. We also carried out various safety trainings such as fire protection and emergency prevention training and gas mask use training, to improve employees' safety awareness and strengthen their practical operation capabilities.

Employees participating in fire and hazardous chemicals safety training

Case scenario: Emergency drill on responding to hazardous waste leakage

In December 2021, we carried out a drill on responding to hazardous waste leakage. By simulating the real environment of leakage at a collection point of hazardous waste, we checked the Company's emergency drill plan and emergency rescue team. The drill was carried out in strict accordance with the formulated procedure, and incident reporting, leakage response and rescue work were carried out smoothly, which improved employees' ability to respond to emergencies and handling skills, and the desired results were achieved.

Employees simulating the disposal of leaked hazardous wastes

- *Employee Benefits*

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

Online year-end party

In addition, we organize various forms of employee activities, including birthday parties, patriotism-themed music festivals, quality month activities, online year-end parties, Mother's Day flower arrangement activities, and photography contests for the most beautiful workers. We also provide funds, time and other resources to support the departments to organize their own team building activities and enrich the cultural lives of employees during their spare time.

Patriotism-themed music festival

2. Harmonious Community

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

- *Benefiting anti-cancer medical treatment*

  In December 2021, toripalimab continued to be included in Category B of the National Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2021 Edition). Two indications of the treatment of patients with recurrent or metastatic nasopharyngeal carcinoma after failure of at least two lines of prior systemic therapy as well as the treatment of patients with locally advanced or metastatic urothelial carcinoma who failed platinum-containing chemotherapy or progressed within 12 months of neoadjuvant or adjuvant platinum-containing chemotherapy, were added. Toripalimab became the only anti-PD-1 monoclonal antibody used in the treatment of melanoma and nasopharyngeal carcinoma in the NRDL. Through the urban commercial insurance across the country, out-of-pocket expenses on the indications of toripalimab

that has been included in the NRDL were entitled to supplementary reimbursement under the NRDL in 102 cities. The newly approved nasopharyngeal cancer indication for first-line treatment in November 2021 has been included in the medical insurance catalogues in 11 cities, for which supplementary medical insurance could be obtained in 51 cities, thus significantly improving access to medicines and benefiting more patients.

- *Supporting public welfare lectures*

We are deeply involved in the field of tumor treatment, focus on the clinical needs of Chinese patients, and support public welfare lectures. In mid-April 2021, the live-broadcasting lecture on introducing knowledge of melanoma and nasopharyngeal cancer immunotherapy, which was hosted by Dances with Cancer and supported by Junshi Biosciences, was successfully held, with nearly 20,000 viewers. On 17 November 2021, the International Lung Cancer Day Online Public Welfare Medical Consultation Relay Event, which was initiated by China Social Assistance Foundation and Beijing Sun Heart Public Welfare Foundation, co-organized by YXJ, and supported by Junshi Biosciences, was launched, and 143 experts from 94 hospitals across the country gathered online to help patients correctly understand lung cancer and fight the disease with a positive attitude. There were 80 public welfare medical consultations and knowledge introduction and patient education activities throughout the day, with more than 37,000 viewers, covering 23 provinces across the country.

- *Charitable donation of medicines*

Bethune's charitable donation program

In 2021, we continued to participate in Beijing Bethune Charitable Foundation's charitable donation program. This project enables timely, continuous and effective treatment for patients with family difficulties or poverty, reduces the economic burden on patient's family, and brings hope to more cancer patients. From April 2019 to February 2021, this project was carried out in 142 cities in 30 provinces across the country, helping more than 5,000 patients.

China Social Welfare Foundation's drug assistance program

In the second quarter of 2021, Junshi Biosciences and China Social Welfare Foundation joined hands to commence a patient caring program. As of 30 September 2021, the program covered 169 cities in 26 provinces, helping nearly 3,000 patients. In order to better benefit patients, the program pays regular follow-up visits to patients to understand the convenience of receiving medicines, and timely provide answers on information such as medication safety. In December 2021, Junshi Biosciences was awarded the Best Social Responsibility Award in 2021 by China Social Welfare Foundation.

- *Donation to charity funds*

Donation to Shanghai Dream Sharing Kind Foundation

Since 2020, Junshi Biosciences has donated RMB400,000 in aggregate to Shanghai Dream Sharing Kind Foundation, including a donation of RMB150,000 in 2021 to support new recruits' families who live in extreme difficulties and the families of soldiers disabled during wars, and set up a special fund for fallen fire heroes. In January 2022, the representatives of Shanghai Dream Sharing Kind Foundation attended the "Love with Respect" special forum on condolences to the family members of fallen fire heroes, aiming to inherit the spirit of heroes and create a social atmosphere of respecting heroes and caring for the family members of fallen heroes. In addition, Shanghai Junshi Biosciences Co., Ltd. was also awarded the nameplate of "Supporting Unit for Supporting the Military and Families" by the Shanghai Foundation for Supporting the Military and Families.

Tiding over difficulties with Henan

In July 2021, there was persistent heavy precipitation in Henan Province, and heavy rains occurred in many places and even reached the level of extraordinary rainstorms. Some regions were seriously affected, and the flood control situation was extremely severe. Junshi Biosciences donated RMB1 million to Henan Province through the Chinese Red Cross Foundation to support the seriously affected medical institutions to purchase disaster relief supplies, and carry out post-disaster repair and reconstruction, helping medical and healthcare institutions to resume normal as soon as possible, so that patients can receive timely treatment.

- *Supporting the prevention and control of COVID-19*

Helping Shanghai in nucleic acid testing

In March 2022, Pudong New Area in Shanghai issued an emergency recruitment notice, requiring a number of "operators who worked in molecular biotechnology laboratory" as nucleic acid testing volunteers to support relevant testing institutions in Pudong. Junshi Biosciences responded quickly. Four laboratory employees from the Company's Shanghai R&D center and Lingang Production Base voluntarily went to the front line to combat the pandemic, contributing to the timely completion of COVID-19 nucleic acid testing task in Shanghai. These four volunteers successfully passed the assessment to obtain PCR work permits after receiving the emergency training provided by the Shanghai Center for Clinical Laboratory, and arrived at their positions one by one after they completed their respective closed-off management in their communities, becoming the "big white" volunteers of a laboratory.

Helping Jilin to overcome difficulties together

The pandemic situation in Jilin Province also pulled at the heartstrings of all sectors of society. As a party to the extensive industry-university-research cooperation with higher education institutions in Jilin, the Company actively responded to the call of Wujiang Economic and Technological Development Zone, and launched an action to help Jilin by donating money and supplies. A total of 82 boxes of pandemic prevention supplies were donated to Jilin University.

APPENDIX

(I) ESG REPORTING GUIDE KPIS

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

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

2 Due to business expansion, total GHG emissions and total energy consumption increased in 2021.

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

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

5 Non-hazardous waste comprises of construction waste and domestic waste. Due to the hazardous chemicals warehouse newly established by Suzhou Zhonghe, the total amount of construction waste produced in 2021 increased as compared with 2020.

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		Year 2021[2]	Year 2020	Year 2019
A2.1 Total energy consumption by type[6]				
Electricity	kWh in '000s	**40,820.20**	33,918.49	18,490.09
Nature gas	kWh in '000s	**37,289.90**	27,660.00	18,227.66
Gasoline	kWh in '000s	**1,744,45**		
Total energy consumption	kWh in '000s	**79,854.55**	61,578.49	36,717.75
Intensity of the energy consumption	kWh in '000s/ Million turnover	**19.84**	38.61	47.37
A2.2 Water consumption				
Total consumption of water resource	Cubic meters	**411,962.40**	303,598.00	194,273.00
Intensity of water consumption	Cubic meters/Million turnover	**102.35**	190.36	250.65
A2.5 Packaging material used				
Inner package material (coated rubber stoppers, penicillin bottles, etc.)	Ton	**9.36**	17.04	10.95
External package material (product packaging, bottom support, etc.)	Ton	**16.81**	14.39	9.81
Total consumption of packaging material	Ton	**26.17**	31.44	20.76
Intensity of the consumption of packaging	Ton/Million turnover	**0.01**	0.02	0.03

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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(II) ESG REPORTING GUIDE CONTENT INDEX

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

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

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

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

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

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

As of the date of this report, the Group had over 51 drug candidates, covering five major therapeutic areas including malignant tumors, autoimmune diseases, chronic metabolic diseases, neurologic diseases and infectious diseases.

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

BUSINESS REVIEW AND RESULTS

A review of the business of the Group during the Reporting Period is provided in "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the Reporting Period using key financial performance indicators is provided in the Financial Review on pages 41 to 53 of this annual report.

The results of the Group for the Reporting Period are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 173 to 174 in the Independent Auditor's report.

FINAL DIVIDENDS

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

FUTURE AND OUTLOOK

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

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

In relation to product development

– In February 2022, TUOYI® in combination with standard chemotherapy as the adjuvant treatment of patients after curative resection for gastric or gastroesophageal junction adenocarcinoma phase III clinical study ("**JUPITER-15 study**", NCT05180734) has completed dosing of the first patient.

– In March 2022, JUNMAIKANG® (Adalimumab) for the treatment of rheumatoid arthritis, ankylosing spondylitis and psoriasis received marketing approval from the NMPA.

– In March 2022, the IND application for JS105 (PI3K-α inhibitor) jointly developed by the Company and Risen Biosciences was accepted by the NMPA.

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

In relation to business operation

– In January 2022, pursuant to the Exclusive License and Commercialization Agreement entered into between us and Coherus in February 2021, Coherus has initiated to exercise one of its options, the option program of recombinant humanized anti-TIGIT monoclonal antibody (code: TAB006/JS006), to obtain a license to exploit TAB006/JS006 and any product that contains TAB006/JS006 in the treatment or prevention of diseases and disorders in humans in the Coherus Territory. Coherus made an one-off exercise payment of US$35 million to us, and will pay up to an aggregate of US$255 million upon reaching the corresponding milestones, plus 18% royalty on the annual net sales of products containing TAB006/JS006 in the Coherus Territory.

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

– In March 2022, Junshi Biotechnology, our wholly-owned subsidiary, passed the GMP compliance inspection, which means that Lingang Production Base is fully equipped for the formal production of commercial batches for Toripalimab Injection. Lingang Production Base was constructed based on CGMP standards, and the production capacity for the first phase project amounted to 30,000 litre. Due to scale effect, the expansion in capacity brought about by Lingang Production Base will enable the Company to secure more competitive production costs.

– In March 2022, the Board passed the resolutions in relation to the proposed issuance of no more than 70 million A Shares to target subscribers under the General Mandate. The proceeds are expected to be no more than RMB3.98 billion, which will be used for R&D projects of innovative drugs and our technology headquarters and R&D base project. The issuance is subject to the approval of the Shareholders at the EGM, the approval of the Shanghai Stock Exchange and the approval of registration from the China Securities Regulatory Commission.

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

REPORT OF THE DIRECTORS

RESEARCH AND DEVELOPMENT ACTIVITIES OF CORE PRODUCTS

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

INDUSTRY COMPETITION LANDSCAPE AND DEVELOPMENT TREND

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

The research and development model of innovative drugs includes independent R&D, or a cooperative R&D model through licensing from other innovative drug companies or in other forms. Substantially all of the Company's products at IND or later stages are independently developed through our proprietary full industry chain platform, which possesses the first domestically-made PD-1 monoclonal antibody approved to be marketed in China, the first domestic anti-PCSK9 monoclonal antibody that obtained clinical trial approval, the first domestic anti-BLyS monoclonal antibody that obtained approval and the world's first anti-BTLA monoclonal antibody that obtained clinical trial approval. As of the date of this report, the Company has more than 51 drug candidates, which cover different R&D stages. The Company's rich project reserves, including multiple "original innovative" target drugs, reflect our outstanding capabilities in the R&D of innovative drugs. The Company is one of the few domestic companies with the potential to develop world's first-in-class drugs. The Company is at a leading position among comparable companies in terms of market valuation, reflecting its high degree of recognition.

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

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

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

3. The in-depth implementation of "three reforms to the healthcare and medical industry" has sped up the implementation of the "Healthy China" initiative. The reform to medical payments, trial for graded hierarchical healthcare and in-depth reform to the drug evaluation and approval system are the areas of focus in the "three reforms of the healthcare and medical industry", which will greatly affect the pharmaceutical industry and pharmaceutical market. In order to follow the reform trend and accelerate corporate development, enterprises have to adopt prospective product positioning, differentiated product R&D and integrated product strategy for biopharmaceutical innovation. Allocating quality medical resources to the primary care system means that it is necessary to take full consideration of, in addition to price pressure, the market layout, and strategically develop the key primary market.

However, if the increase in sales is less than expected, it may adversely affect the Company's revenue.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period,

(i) the Group's largest supplier accounted for 35.56% (2020: 11.56%) of its total purchases, and the five largest suppliers accounted for 46.51% of its total purchases (2020: 34.45%); and

(ii) the Group's largest customer accounted for 62.80% (2020: 33.45%) of its total pharmaceutical sales and licensing income and the Group's five largest customers accounted for 96.19% (2020: 79.89%) of its total pharmaceutical sales and licensing income.

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

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

Details of the major subsidiaries of the Company as of 31 December 2021 are set out in note 34 to the consolidated financial statements.

SHARE CAPITAL

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

As of 31 December 2021, 910,756,700 Shares were in issue (comprising 691,461,000 A Shares and 219,295,700 H Shares).

RESERVES

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

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company did not have any distributable reserves.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 December 2021 are set out in note 25 to the consolidated financial statements.

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 of the Company (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 are professional, institutional and/or other investors and who were independent of, and not connected with the Company and its connected persons (as defined in Hong Kong Listing Rules). The net cash inflow from the Placing was approximately RMB2,105 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. For further details of the Placing, please refer to the Company's announcements dated 16 June 2021 and 23 June 2021.

As at 31 December 2021, approximately RMB1,411 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 31 December 2021:

Purpose of the proceeds	**Amount of proceeds utilised as at 31 December 2021** (Approx. RMB million)	**Amount of remaining proceeds as at 31 December 2021** (Approx. RMB million)	**Expected time of utilization**
R&D of drugs and pipeline expansion	596	N/A	Expected to be fully utilized by 30 June 2025
Expansion of the commercialization team	–	N/A	Expected to be fully utilized by 30 June 2025
Domestic and overseas investment, mergers and acquisitions & business development	61	N/A	Expected to be fully utilized by 30 June 2025
General corporate purpose	754	N/A	Expected to be fully utilized by 30 June 2025
	1,411(Note)	674(Note)	

Note: The difference between sum of proceeds utilised and remaining proceeds and net proceeds from the Placing consists of exchange losses and interests generated from bank saving account.

2018 PRE-IPO SHARE INCENTIVE SCHEME AND SHARE INCENTIVE AGREEMENTS

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

On 12 March 2018, the Company entered into Share Incentive Agreements with 268 Grantees, pursuant to which the Company agreed to grant, in aggregate, 6,023,000 Pre-IPO Options to the Grantees. The Company has subsequently entered into supplemental agreements with the Grantees to acknowledge the Amendments. The Pre-IPO Options are subject to the 2018 Pre-IPO Share Incentive Scheme.

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

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

REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

Movement of Pre-IPO Options during the Reporting Period

On 28 August 2020, the Board of Directors resolved that the conditions for the exercise of Pre-IPO Options for the first exercise period under the 2018 Pre-IPO Share Incentive Scheme have been fulfilled. A total of 203 Grantees exercised 1,219,500 Pre-IPO Options at the exercise price of RMB9.2 per A share for the first exercise period, and on 2 November 2020, the Company issued 1,219,500 new A Shares (representing approximately 0.13% of the Company's issued share capital as at 31 December 2021) to such Grantees pursuant to the exercise of Pre-IPO Options granted under the 2018 Pre-IPO Share Incentive Scheme. The Company received from the said 203 Grantees a total amount of RMB11,219,400, of which RMB1,219,500 was contributed towards the paid-in share capital and RMB9,999,900 were contributed towards the capital reserve of the Company. The said A Shares issued to the Grantees upon the exercise under the Pre-IPO Options may be listed for trading on the STAR Market upon expiry of three years from the date of the exercise. Further details of the exercise of the Pre-IPO Options for the first exercise period under the 2018 Pre-IPO Share Incentive Scheme are set out in the Company's overseas regulatory announcements dated 28 August 2020 and 2 November 2020.

As at 31 December 2021, 1,845,200 Pre-IPO Options were outstanding, entitling 187 Grantees to subscribe for an aggregate of 1,845,200 A Shares (representing approximately 0.20% of the Company's issued share capital as at 31 December 2021). Since the grant of Pre-IPO Options in March 2018, Pre-IPO Options in respect of 1,246,800 A Shares were granted to Grantees who had already left the Group or waived their exercise but still work in the Group, thus a total of 1,246,800 Pre-IPO Options had lapsed following cessation of their employment or their waiver of exercise.

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

	Number of Pre-IPO Options							
Grantee	On 1 January 2021[2]	Granted	Exercised	Cancelled	Lapsed	On 31 December 2021	Exercise Period[1]	Exercise Price (per A Share)
Chen Yingge (Secretary of the Board and member of senior management of the Company)	7,500	–	3,500	–	–	4,000	12 March 2019 – 14 December 2022	RMB9.2
Other employees	3,659,200	–	1,708,000	–	110,000	1,841,200	12 March 2019 – 14 December 2022	RMB9.2
Total	3,666,700	–	1,711,500	–	110,000	1,845,200		

Notes:

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

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

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Potential Dilution Effect

For the following financial year ending 31 December 2022, in the event that the Grantees exercise the Pre-IPO Options in full on the vesting date in the year ending 31 December 2022 and the Company elects to satisfy the Pre-IPO Options by issuing new A Shares, the potential dilution effect on the Company's share capital will be as follows:

As at	Number of Pre-IPO Options that may be exercised by 31 December 2022	Number of new A Shares that may be issued upon exercise of these Pre-IPO Options	Approximate percentage of issued share capital of the Company enlarged by issuing A Shares upon exercise of such Pre-IPO Options
31 December 2022	1,845,200	1,845,200	0.20%

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

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

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

2020 RESTRICTED A SHARE INCENTIVE SCHEME

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

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

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

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

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

(d) The total number of Restricted Shares to be granted under the 2020 Restricted A Share Incentive Scheme will be not more than 35,648,000 A Shares (representing approximately 5.16% of the total number of issued A Shares and approximately 3.91% of the total issued share capital of the Company as at the date of this annual report) (subject to adjustment to the number of the Restricted Shares and/or the grant price upon occurrence of certain corporate actions of the Company according to the 2020 Restricted A Share Incentive Scheme ("**Adjustment**")). Amongst the total number of Restricted Shares, not more than 7,129,000 A Shares, representing approximately 20% of the total number of Restricted Shares, will be reserved for the Reserved Grant (subject to Adjustment). The source of all Restricted Shares under the scheme will be new ordinary A Shares to be issued by the Company to the participants.

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

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

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

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

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

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

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

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

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

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

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

As of 31 December 2021, 28,519,000 Restricted Shares under the First Grant were granted on 16 November 2020 and 7,129,000 Restricted Shares under the Reserved Grant were granted on 15 November 2021. Details of the movements of the Restricted Shares under the First Grant during the Reporting Period are as follows:

	Number of Restricted Shares					
Participant First Grant	Granted on 16 November 2020[1]	Attributed	Lapsed	Cancelled	On 31 December 2021	Attribution period[2]
Directors, members of the senior management and core technical staff						
Xiong Jun (Executive Director, Chairman of the Board and Legal Representative)[4]	820,000	–	–	–	820,000	16 November 2021 – 15 November 2024
Li Ning (Executive Director, Chief Executive Officer and General Manager)[4]	1,560,000	–	–	–	1,560,000	16 November 2021 – 15 November 2024
Feng Hui (Executive Director, core technical staff)[4]	820,000	–	–	–	820,000	16 November 2021 – 15 November 2024
Yao Sheng (Executive Director, Deputy General Manager, core technical staff)[4]	2,000,000	–	–	–	2,000,000	16 November 2021 – 15 November 2024
Zhang Zhuobing (Executive Director, Deputy General Manager, core technical staff)[4]	820,000	–	–	–	820,000	16 November 2021 – 15 November 2024
Wang Gang (Deputy General Manager)	270,000	–	–	–	270,000	16 November 2021 – 15 November 2024
Duan Xin (Former Deputy General Manager)	360,000	–	–	–	360,000	16 November 2021 – 15 November 2024
Yin Kan (Former Deputy General Manager)	300,000	–	–	–	300,000	16 November 2021 – 15 November 2024
Xie Wan (Former Deputy General Manager)	300,000	–	–	–	300,000	16 November 2021 – 15 November 2024
Ma Jun (Former Deputy General Manager)	150,000	–	–	–	150,000	16 November 2021 – 15 November 2024
Yuan Lu (Former Financial Director)	80,000	–	–	–	80,000	16 November 2021 – 15 November 2024
Xu Baohong (Financial Director)	80,000	–	–	–	80,000	16 November 2021 – 15 November 2024
Chen Yingge (Secretary of the Board of Directors)	80,000	–	–	–	80,000	16 November 2021 – 15 November 2024

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	Number of Restricted Shares					
Participant First Grant	Granted on 16 November 2020[1]	Attributed	Lapsed	Cancelled	On 31 December 2021	Attribution period[2]
Other Empolyees						
Wang Shixu (Financial manager of Junshi Biotechnology)[5]	30,000	–	–	–	30,000	16 November 2021 – 15 November 2024
Other employees of the Company considered required to be incentivized by the Board of Directors (1,919 Participants in total)	20,849,000	–	4,273,700	–	16,575,300	16 November 2021 – 15 November 2024
Total	28,519,000	–	4,273,700	–	24,245,300	16 November 2021 – 15 November 2024

Notes:

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

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

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

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

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

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

	Number of Restricted Shares					
Participant Reserved Grant	Granted on 15 November 2021[1]	Attributed	Lapsed	Cancelled	On 31 December 2021	Attribution period[2]
Other persons considered required to be incentivized by the Board of Directors (880 Participants in total)	7,129,000	–	–	–	7,129,000	15 November 2022 – 14 November 2024
Total	7,129,000	–	–	–	7,129,000	

Notes:

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

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

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

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

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

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

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EQUITY-LINKED AGREEMENTS

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

DIRECTORS' AND SUPERVISORS' BIOGRAPHICAL DETAILS

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

Executive Directors
Mr. Xiong Jun *(Chairman and Legal Representative)*
Dr. Li Ning *(Chief Executive Officer and General Manager)*
Mr. Li Cong *(Co-Chief Executive Officer)* (re-designated to an executive Director from a non-executive Director and appointed as the co-chief executive officer with effect from 2 November 2021)
Dr. Feng Hui
Mr. Zhang Zhuobing
Dr. Yao Sheng

Non-executive Directors
Dr. Wu Hai
Mr. Tang Yi
Mr. Lin Lijun
Mr. Yi Qingqing (resigned with effect from 29 June 2021)

Independent Non-executive Directors
Dr. Chen Lieping
Dr. Roy Steven Herbst
Mr. Qian Zhi
Mr. Zhang Chun
Dr. Feng Xiaoyuan (appointed with effect from 16 December 2021)
Dr. Jiang Hualiang (resigned on 30 August 2021, and with effect from 16 December 2021)

Supervisors
Mr. Wu Yu *(Chairman of the Board of Supervisors)*
Ms. Wang Pingping
Ms. Huo Yilian (appointed with effect from 29 June 2021)
Ms. Li Ruolin (retired with effect from 29 June 2021)
Mr. Fu Cexiong (retired with effect from 29 June 2021)
Mr. Liu Jun (retired with effect from 29 June 2021)

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

Changes of Information of the Directors and Supervisors

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

As at the date of this report, changes in information since the date of publication of the 2020 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. Lin Lijun	Resigned as a non-executive director of InnoCare Pharma Limited, a company listed on the Main Board of the Hong Kong Stock Exchange on 23 March 2020	31 March 2021
	Resigned as a non-executive director of Wenzhou Kangning Hospital Co., Ltd., a company listed on the Main Board of the Hong Kong Stock Exchange on 20 November 2015	30 April 2021
	Resigned as an independent director of Luoxin Pharmaceutical Group Stock Co., Ltd., a company listed on the Shenzhen Stock Exchange on 12 May 2020	19 May 2021
Mr. Xiong Jun	Served as an executive director of Shanghai JunTop Biosciences Co., Ltd., a non-wholly-owned subsidiary of the Company	6 August 2021
	Served as an executive director and the general manager of JunTop Biosciences (Hainan) Co., Ltd., a non-wholly-owned subsidiary of the Company	31 December 2021
	Served as an executive director of Shanghai Vinnerna Biosciences Co., Ltd., a non-wholly-owned subsidiary of the Company	31 December 2021
	Served as the chairman of the board of directors of Shanghai Junshi Xihai Biotechnology Co., Ltd., an associate of the Company	24 September 2021
Mr. Zhang Zhuobing	Served as a director of Shanghai Junshi Xihai Biotechnology Co., Ltd., an associate of the Company	24 September 2021

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Service Agreement

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

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

Directors' and Supervisors' Rights to Acquire Shares or Debentures

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

Competing Interest and Other Interest

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

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

Independence of Independent Non-executive Directors

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

MANAGEMENT CONTRACTS

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

REMUNERATION POLICY

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

As at 31 December 2021, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Interests in the Company

Name of Director/ Supervisor/ Chief Executive	Nature of interests	Class of Shares	Number of Shares/ Underlying Shares[1]	Approximate percentage in relevant class of Shares[1]	Approximate percentage in total share capital[1]
Xiong Jun	Beneficial owner[2]	A Shares	88,574,018 (L)	12.81%	9.73%
		H Shares	2,600 (L)	0.00%	0.00%
	Parties acting in concert/ Interest in controlled corporations[2]	A Shares	129,978,568 (L)	18.80%	14.27%
Li Ning	Beneficial owner[3]	A Shares	1,560,000 (L)	0.23%	0.17%
Li Cong	Beneficial owner	A Shares	3,657,600 (L)	0.53%	0.40%
Feng Hui	Beneficial owner[4]	A Shares	13,960,000 (L)	2.02%	1.53%
Zhang Zhuobing	Beneficial owner/ Interest of spouse[5]	A Shares	9,428,000 (L)	1.36%	1.04%
Yao Sheng	Beneficial owner[6]	A Shares	2,000,000 (L)	0.29%	0.22%
Tang Yi	Beneficial owner	A Shares	7,774,500 (L)	1.12%	0.85%
	Interest in controlled corporations[7]	A Shares	196,871,786 (L)	28.47%	21.62%
		H Shares	2,600 (L)	0.00%	0.00%
Lin Lijun	Interest in controlled corporations[8]	A Shares	78,852,000 (L)	11.40%	8.66%
	Founder of a discretionary trust who can influence how the trustee exercises his discretion[8]	H Shares	37,189,000 (L)	16.96%	4.08%

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Notes:

1. The letter "L" denotes the long position in the Shares, the letter "S" denotes short position in the Shares and the letter "P"denotes lending pool. As at 31 December 2021, the Company had 910,756,700 issued Shares, comprising 691,461,000 A Shares and 219,295,700 H Shares.

2. As at 31 December 2021, Mr. Xiong directly held 88,574,018 A Shares and 2,600 H Shares. He was also granted 820,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

   Pursuant to (i) a concert party agreement dated 25 December 2017 entered into among Mr. Xiong Jun, Mr. Xiong Fengxiang, Suzhou Ruiyuan Shengben Biological Medicine Management Partnership (LP)* ("**Suzhou Ruiyuan**"), Suzhou Benyu Tianyuan Biological Technology Partnership (LP)* ("**Suzhou Benyu**"), Shanghai Baoying Asset Management Co., Ltd.* ("**Shanghai Baoying**"), Meng Xiaojun, Gao Shufang, Zhuhai Huapu Investment Management Co., Ltd.* and Zhao Yun (the "**2017 Concert Party Agreement**"), Mr. Xiong Jun was deemed to be interested in an aggregate of 108,297,768 A Shares held by the other parties to the 2017 Concert Party Agreement as at 31 December 2021 under the SFO (including the 41,060,000 A Shares directly held by Mr. Xiong Fengxiang, the father of Mr. Xiong Jun); and (ii) a concert party agreement dated 26 July 2019 entered into between Mr. Xiong Jun and Ms. Zhou Yuqing (the "**2019 Concert Party Agreement**"), Mr. Xiong Jun was further deemed to be interested in the 21,680,800 A Shares held by the other party to the 2019 Concert Party Agreement as at 31 December 2021 under the SFO.

   As at 31 December 2021, Mr. Xiong Jun (i) was an executive director and was directly interested in 20% of the equity share capital of Shanghai Baoying, which directly held 4,372,144 A Shares; Shanghai Baoying was also a party to the 2017 Concert Party Agreement; (ii) was the chairman of the board of directors and was directly interested in 40% of the equity share capital of Shenzhen Qianhai Yuanben Equity Investment Fund Management Co., Ltd.* ("**Shenzhen Yuanben**"), which was the general partner of each of Suzhou Benyu and Suzhou Ruiyuan, which in turn directly held 4,600,000 and 43,584,000 A Shares, respectively, and were each a party to the 2017 Concert Party Agreement. Shenzhen Yuanben also held a limited partner interest of approximately 86.28% of Suzhou Benyu. Mr. Xiong Jun was deemed to be interested in an aggregate of such 52,556,144 A Shares under the SFO.

3. As at 31 December 2021, Dr. Li Ning was granted 1,560,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

4. As at 31 December 2021, Dr. Feng Hui directly held 13,140,000 A Shares. He was also granted 820,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

5. As at 31 December 2021, Mr. Zhang Zhuobing's spouse, Ms. Liu Xiaoling, directly held 8,608,000 A Shares. Mr. Zhang was also granted 820,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

6. As at 31 December 2021, Dr. Yao Sheng was granted 2,000,000 Restricted Shares pursuant to the 2020 Restricted A Share Incentive Scheme.

7. As at 31 December 2021, 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.

8. As at 31 December 2021, 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 Loyal Valley Investment Management Co., Ltd. (formerly Shanghai Shengge Asset Management Co., Ltd.) ("**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, which was the general partner of Shanghai Lejin Investment Partnership, which in turn held 99.99% interest in Shanghai Tanying. Therefore, Mr. Lin Lijun was deemed to be interested in the Shares held by Shanghai Tanying and Shanghai Tanzheng under the SFO.

   As at 31 December 2021, Loyal Valley Capital Advantage Fund LP ("**LVC Fund I**"), Loyal Valley Capital Advantage Fund II LP ("**LVC Fund II**") and LVC Renaissance Fund LP ("**LVC Renaissance Fund**", together with LVC Fund I and LVC Fund II, the "**LVC Funds**") directly held 10,106,000 H Shares, 12,127,000 H Shares and 14,956,000 H Shares, respectively. Loyal Valley Capital Advantage Fund GP Limited ("**LVC Fund I GP**") was the general partner of LVC Fund I, Loyal Valley Capital Advantage Fund II Limited ("**LVC Fund II GP**") was the general partner of LVC Fund II and LVC Renaissance Limited ("**LVC Renaissance GP**") was the general partner of LVC Renaissance Fund. Each of LVC Fund I GP, LVC Fund II GP and LVC Renaissance GP was wholly-owned by LVC Holdings Limited, which was wholly-owned by LVC Innovate Limited (previously known as LVC Bytes Limited), which was in turn wholly-owned by Jovial Champion Investments Limited, which was wholly-owned by Vistra Trust (Singapore) Pte. Limited, which was controlled by Mr. Lin Lijun. Also, LVC Renaissance Fund was owned as to (i) 20.13% by Golden Valley Global Limited, which was wholly-owned by Shanghai Lehong Investment Partnership ("**Shanghai Lehong**"). Shanghai Tanying (a controlled corporation of Mr. Lin Lijun) held 99.99% interest in Shanghai Lehong and Loyal Valley (a corporation wholly-owned by Mr. Lin Lijun) was the general partner of Shanghai Lehong; and (ii) 33.28% by Loyal Valley Innovation Capital (HK) Limited, which was wholly-owned by Mr. Lin Lijun. Therefore, Mr. Lin Lijun was deemed to be interested in an aggregate of 37,189,000 H Shares held by the LVC Funds under the SFO.

Save as disclosed above, as at 31 December 2021, none of the Directors, Supervisors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code.

Interests in Associated Corporations

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

REPORT OF THE DIRECTORS

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

As at 31 December 2021, 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[3][4]	Beneficial owner	A Shares	41,060,000 (L)	5.94%	4.51%
	Parties acting in Concert	A Shares	155,811,786 (L)	22.53%	17.11%
Suzhou Ruiyuan Shengben Biological Medicine Management Partnership (LP)*	Beneficial owner	A Shares	43,584,000 (L)	6.30%	4.79%
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	153,287,786 (L)	22.17%	16.83%
Suzhou Benyu Tianyuan Biological Technology Partnership (LP)*	Beneficial owner	A Shares	4,600,000 (L)	0.67%	0.51%
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	192,271,786 (L)	27.81%	21.11%
Shanghai Baoying Asset Management Co., Ltd.*	Beneficial owner	A Shares	4,372,144 (L)	0.63%	0.48%
上海寶盈資產管理有限公司[4]	Parties acting in Concert	A Shares	192,499,642 (L)	27.84%	21.14%
Meng Xiaojun	Beneficial owner	A Shares	4,288,400 (L)	0.62%	0.47%
孟曉君[4]	Parties acting in Concert	A Shares	192,583,386 (L)	27.85%	21.15%
Gao Shufang	Beneficial owner	A Shares	3,789,720 (L)	0.55%	0.42%
高淑芳[4]	Parties acting in Concert	A Shares	193,082,066 (L)	27.92%	21.20%
Zhuhai Huapu Investment Management Co., Ltd.*	Beneficial owner	A Shares	3,719,504 (L)	0.54%	0.41%
珠海華樸投資管理有限公司[4]	Parties acting in Concert	A Shares	193,152,282(L)	27.93%	21.21%
Zhao Yun	Beneficial owner	A Shares	2,884,000 (L)	0.42%	0.32%
趙雲[4]	Parties acting in Concert	A Shares	193,987,786 (L)	28.05%	21.30%
Zhou Yuqing	Beneficial owner	A Shares	21,680,800 (L)	3.14%	2.38%
周玉清[5]	Parties acting in Concert	A Shares	88,574,018 (L)	12.81%	9.73%
Shanghai Tanying Investment Partnership[6]	Beneficial owner	A Shares	76,590,000 (L)	11.08%	8.41%
Shanghai Lejin Investment Partnership[6]	Interest of controlled corporation	A Shares	76,590,000 (L)	11.08%	8.41%
Shanghai Shengdao Investment Partnership[6]	Interest of controlled corporation	A Shares	76,590,000 (L)	11.08%	8.41%
Shanghai Loyal Valley Investment Management Co., Ltd.[6]	Interest of controlled corporation	A Shares	78,852,000 (L)	11.40%	8.66%

Name of Shareholder	Nature of interests	Class of Shares	Number of Underlying Shares[1]	Approximate percentage in relevant class of Shares[2]	Approximate percentage in total share capital[2]
Gong Ruilin 龔瑞琳	Interest of spouse/ Interest of controlled corporation[6][8]	A Shares	78,852,000 (L)	11.40%	8.66%
	Interest of spouse[7][8]	H Shares	37,189,000 (L)	16.96%	4.08%
Loyal Valley Capital Advantage Fund LP[7][9]	Beneficial owner	H Shares	10,106,000 (L)	4.61%	1.11%
Loyal Valley Capital Advantage Fund GP Limited[7]	Interest in controlled corporation	H Shares	10,106,000 (L)	4.61%	1.11%
Loyal Valley Capital Advantage Fund II LP[7][9]	Beneficial owner	H Shares	12,127,000 (L)	5.53%	1.33%
Loyal Valley Capital Advantage Fund II Limited[7]	Interest of controlled corporation	H Shares	12,127,000 (L)	5.53%	1.33%
LVC Renaissance Fund LP[7]	Beneficial owner	H Shares	14,956,000 (L)	6.82%	1.64%
LVC Renaissance Limited[7]	Interest of controlled corporation	H Shares	14,956,000 (L)	6.82%	1.64%
LVC Holdings Limited[7]	Interest of controlled corporation	H Shares	22,233,000 (L)	10.14%	2.44%
LVC Management Holdings Limited[7]	Interest of controlled corporation	H Shares	22,233,000 (L)	10.14%	2.44%
LVC Bytes Limited (now known as LVC Innovate Limited)[7]	Interest of controlled corporation	H Shares	37,189,000 (L)	16.96%	4.08%
Jovial Champion Investments Limited[7]	Interest of controlled corporation	H Shares	37,189,000 (L)	16.96%	4.08%
Vistra Trust (Singapore) Pte. Limited[7]	Trustee	H Shares	37,189,000 (L)	16.96%	4.08%
Highbury Investment Pte Ltd[9]	Beneficial owner	H Shares	12,218,889 (L)	5.57%	1.34%
	Interest of controlled corporation	H Shares	12,127,000 (L)	5.53%	1.33%
GIC (Ventures) Pte. Ltd.[9]	Interest of controlled corporation	H Shares	24,345,889 (L)	11.10%	2.67%
GIC Special Investments Private Limited[9]	Investment manager	H Shares	24,345,889 (L)	11.10%	2.67%
GIC Private Limited[9]	Interest of controlled corporation	H Shares	24,345,889 (L)	11.10%	2.67%
	Investment manager	H Shares	715,511(L)	0.33%	0.08%
Hillhouse Capital Advisors, Ltd.[10]	Investment manager	H Shares	11,400,000 (L)	5.20%	1.25%

Notes:

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

2. As at 31 December 2021, the Company had 910,756,700 issued Shares, comprising 691,461,000 A Shares and 219,295,700 H Shares.

REPORT OF THE DIRECTORS

3. As at 31 December 2021, 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 155,811,786 A Shares held by the other parties to the 2017 Concert Party Agreement under the SFO (including the 88,574,018 A Shares directly held by and the 820,000 Restricted Shares granted pursuant to the 2020 Restricted A Share Incentive Scheme to Mr. Xiong Jun, son of Mr. Xiong Fengxiang).

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

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

6. As at 31 December 2021, Shanghai Tanying Investment Partnership ("**Shanghai Tanying**") was directly interested in 76,590,000 A Shares. Loyal Valley was the general partner of Shanghai Tanying. Shanghai Shengdao Investment Partnership ("**Shanghai Shengdao**") was the general partner of Shanghai Lejin Investment Partnership ("**Shanghai Lejin**"), which in turn held 99.99% interest in Shanghai Tanying. Therefore, each of 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. Loyal Valley was also the general partner of Shanghai Tanzheng Investment Partnership ("**Shanghai Tanzheng**"), which directly held 2,262,000 A Shares. Therefore, Loyal Valley was also deemed to be interested in the A Shares held by Shanghai Tanzheng under the SFO.

7. As at 31 December 2021, Loyal Valley Capital Advantage Fund LP ("**LVC Fund I**"), Loyal Valley Capital Advantage Fund II LP ("**LVC Fund II**") and LVC Renaissance Fund LP ("**LVC Renaissance Fund**", together with LVC Fund I and LVC Fund II, the "**LVC Funds**") directly held 10,106,000 H Shares, 12,127,000 H Shares and 14,956,000 H Shares, respectively. Loyal Valley Capital Advantage Fund GP Limited ("**LVC Fund I GP**") was the general partner of LVC Fund I and was deemed to be interested in the H Shares held by it. Loyal Valley Capital Advantage Fund II Limited ("**LVC Fund II GP**") was the general partner of LVC Fund II and was deemed to be interested in the H Shares held by it. LVC Renaissance Limited ("**LVC Renaissance GP**") was the general partner of LVC Renaissance Fund and was deemed to be interested in the H Shares held by it.

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

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

8. Ms. Gong Ruilin is the spouse of Mr. Lin Lijun. As at 31 December 2021, Shanghai Tanying was a controlled corporation of both Ms. Gong Ruilin and Mr. Lin Lijun. Therefore, Ms. Gong was deemed to be interested in the 76,590,000 A Shares held by Shanghai Tanying under the SFO. In addition, Ms. Gong was also deemed to be interested in another 2,262,000 A Shares held by Mr. Lin Lijun through his other controlled corporations.

9. As at 31 December 2021, Highbury Investment Pte Ltd ("**Highbury**") directly held 12,218,889 H Shares. Highbury also held 90.90% interest in LVC Fund II and was deemed to be interested in the 12,127,000 H Shares held by LVC Fund II. Highbury was wholly-owned by GIC (Ventures) Pte. Ltd. ("**GIC Ventures**"), which was wholly-owned by GIC Special Investments Private Limited ("**GIC SIPL**"), which was in turn wholly-owned by GIC Private Limited ("**GIC Private**"). Therefore, each of GIC Ventures, GIC SIPL and GIC Private was interested in the H Shares in which Highbury was interested under the SFO.

10. As at 31 December 2021, 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.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As disclosed in the paragraph headed "Placing of H Shares under General Mandate" above, the Company issued 36,549,200 new H Shares upon completion of the Placing on 23 June 2021.

On 15 June 2021, the Company issued 1,711,500 new A Shares pursuant to the exercise of pre-IPO share options granted under the 2018 Pre-IPO Share Incentive Scheme by eligible employees (further details of the pre-IPO share incentive scheme and the amendments thereto are set out in the Prospectus, supplemental circular dated 27 May 2019, circular dated 20 April 2020, and further details of the exercise of pre-IPO share options for the second exercise period under the 2018 Pre-IPO Share Incentive Scheme are set out in the Company's overseas regulatory announcements dated 17 December 2020 and 15 June 2021).

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

CONNECTED TRANSACTIONS

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

CONTINUING CONNECTED TRANSACTION

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

RELATED PARTY TRANSACTIONS

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

Compensation to the Directors and Supervisors in note 33 to the consolidated financial statements	They are exempted under Rule 14A.76 or 14A.95 of the Listing Rules

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

DONATIONS

During the Reporting Period, the Group made donations of approximately RMB36 million.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION (H SHAREHOLDERS)

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

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

The Company did not have any distributable profit in 2021. The Company did not pay any dividend. Accordingly, the shareholders of the Company (including the holders of H Shares) are not subject to income tax.

COMPANY'S COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

PERMITTED INDEMNITY PROVISION

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

COMPLIANCE OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with each of the Directors and Supervisors, they have confirmed that they had complied with such code of conduct throughout the Reporting Period.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. As at the date of this report, the Board comprises six executive Directors, three non-executive Directors and five independent non-executive Directors. The Board has adopted the code provisions as set out in the CG Code as its corporate governance code. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 69 to 85 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

For details of the Company's environmental, social and governance efforts and performance, please refer to the Environmental, Social and Governance Report on pages 86 to 141 of this report.

SUFFICIENCY OF PUBLIC FLOAT

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

(a) 16%;

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

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

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

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

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

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years (prepared in accordance with IFRS) are set out on page 12 of this annual report. This summary does not form part of the audited consolidated financial statements.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Audit Committee consists of two Independent Non-executive Directors, being Mr. Zhang Chun (Chairman) and Mr. Qian Zhi, and one Non-executive Director, being Mr. Tang Yi. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group and overseeing the audit process.

The Audit Committee has reviewed, together with the management and external auditors of the Company, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2021.

AUDITOR

The financial statements for the year ended 31 December 2021 has been audited by Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu shall retire in the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution to re-appoint Deloitte Touche Tohmatsu as auditor of the Company and to authorize the Directors to fix its remuneration will be proposed at the forthcoming AGM.

CLOSURE OF THE REGISTER OF MEMBERS OF H SHARES

The date of the AGM and the closure of the register of members of H Shares will be announced in due course,

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

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

31 March 2022

* *For identification purpose only*

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of 上海君實生物醫藥科技股份有限公司 Shanghai Junshi Biosciences Co., Ltd.* (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 173 to 279, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

Key audit matter
Cut-off of research and development expenses

The Group incurred significant research and development ("R&D") expenses of RMB2,068,739,000 as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021. In addition, R&D expenses of RMB227,709,000 were accrued as at 31 December 2021 as set out in Note 24 to the consolidated financial statements. A large portion of these accrued R&D expenses were service fees payable to outsourced service providers including contract research organisations and clinical trial centres (collectively referred to as the "Outsourced Service Providers").

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

How our audit addressed the key audit matter

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

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

OTHER INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021

		Year ended 31 December	
		2021	2020
	NOTES	**RMB'000**	RMB'000
Revenue	*5*	**4,024,841**	1,594,897
Cost of sales and services		**(1,258,187)**	(372,531)
Gross profit		**2,766,654**	1,222,366
Other income	*6*	**123,762**	77,454
Other gains and losses	*7*	**74,237**	27,591
Impairment losses under expected credit loss model, net of reversal		**342**	(255)
Research and development expenses		**(2,068,739)**	(1,778,023)
Selling and distribution expenses		**(734,563)**	(687,971)
Administrative expenses		**(647,950)**	(443,346)
Share of profit (loss) of joint ventures		**35**	(1)
Share of losses of associates		**(48,498)**	(3,804)
Other expenses		**(36,095)**	(54,081)
Finance costs	*8*	**(21,833)**	(29,391)
Loss before tax	*9*	**(592,648)**	(1,669,461)
Income tax (expense) credit	*10*	**(135,533)**	3,822
Loss for the year		**(728,181)**	(1,665,639)
Other comprehensive income (expense) for the year			
Item that will not be reclassified to profit or loss			
Fair value gain on equity instruments at fair value through other comprehensive income		**19,454**	–
Item that will may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(9,852)**	(21,928)
Other comprehensive income (expense) for the year		**9,602**	(21,928)
Total comprehensive expense for the year		**(718,579)**	(1,687,567)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021

		Year ended 31 December	
		2021	2020
	NOTES	**RMB'000**	RMB'000
Loss for the year attributable to:			
Owners of the Company		**(718,557)**	(1,665,639)
Non-controlling interests		**(9,624)**	–
		(728,181)	(1,665,639)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(708,955)**	(1,687,567)
Non-controlling interests		**(9,624)**	–
		(718,579)	(1,687,567)
Loss per share	*11*		
Basic (RMB yuan)		**(0.80)**	(2.02)
Diluted (RMB yuan)		**(0.80)**	(2.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 December 2021

	NOTES	At 31 December 2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	14	**2,727,809**	2,348,155
Right-of-use assets	15	**341,983**	186,239
Intangible assets	16	**40,251**	31,019
Interests in joint ventures	17	**16,056**	1,021
Interests in associates	18	**441,736**	65,150
Deferred tax assets	28	**88,550**	26,113
Other assets, prepayments and other receivables	21	**533,914**	297,725
Other financial assets	22	**1,027,108**	356,725
Restricted bank deposits	23	**1,574**	–
		5,218,981	3,312,147
Current assets			
Inventories	19	**484,601**	343,425
Trade receivables	20	**1,292,933**	663,323
Other assets, prepayments and other receivables	21	**549,141**	306,954
Other financial assets	22	**–**	17
Restricted bank deposits	23	**459**	–
Bank balances and cash	23	**3,504,605**	3,384,998
		5,831,739	4,698,717
Current liabilities			
Trade and other payables	24	**1,907,523**	1,215,016
Borrowings	25	**10,596**	252,346
Deferred income	26	**3,683**	–
Lease liabilities	27	**34,472**	25,220
Tax payables		**60,361**	–
		2,016,635	1,492,582
Net current assets		**3,815,104**	3,206,135
Total assets less current liabilities		**9,034,085**	6,518,282

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 December 2021

		At 31 December	
		2021	2020
	NOTES	**RMB'000**	RMB'000
Non-current liabilities			
Borrowings	*25*	**490,000**	542,222
Deferred income	*26*	**118,776**	103,809
Lease liabilities	*27*	**93,127**	30,991
		701,903	677,022
Net assets		**8,332,182**	5,841,260
Capital and reserves			
Share capital	*29*	**910,757**	872,496
Reserves		**7,050,146**	4,968,767
Equity attributable to owners of the Company		**7,960,903**	5,841,263
Non-controlling interests		**371,279**	(3)
Total equity		**8,332,182**	5,841,260

The consolidated financial statements on pages 173 to 279 were approved and authorised for issue by the board of directors on 31 March 2022 and are signed on its behalf by:

Xiong Jun
Director

Li Ning
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Restricted share units ("RSU") reserve RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Revaluation reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020	784,147	4,143,394	–	37,338	–	–	12,535	(1,988,895)	2,988,519	(3)	2,988,516
Loss for the year	–	–	–	–	–	–	–	(1,665,639)	(1,665,639)	–	(1,665,639)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(21,928)	–	(21,928)	–	(21,928)
Total comprehensive expense for the year	–	–	–	–	–	–	(21,928)	(1,665,639)	(1,687,567)	–	(1,687,567)
A shares issued upon listing on the Science and Technology Innovation Board (the "STAR Market") *(Note 29)*	87,130	4,748,585	–	–	–	–	–	–	4,835,715	–	4,835,715
Transaction costs attributable to issue of A shares	–	(338,737)	–	–	–	–	–	–	(338,737)	–	(338,737)
Recognition of equity settled share-based payment expenses – share option *(Note 31)*	–	–	–	6,549	–	–	–	–	6,549	–	6,549
Exercise of share options	1,219	21,110	–	(11,110)	–	–	–	–	11,219	–	11,219
Recognition of equity settled share-based payment expenses – RSU *(Note 31)*	–	–	25,565	–	–	–	–	–	25,565	–	25,565
At 31 December 2020	872,496	8,574,352	25,565	32,777	–	–	(9,393)	(3,654,534)	5,841,263	(3)	5,841,260
Loss for the year	–	–	–	–	–	–	–	(718,557)	(718,557)	(9,624)	(728,181)
Fair value gain on equity instruments at fair value through other comprehensive income	–	–	–	–	–	19,454	–	–	19,454	–	19,454
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(9,852)	–	(9,852)	–	(9,852)
Total comprehensive income (expense) for the year	–	–	–	–	–	19,454	(9,852)	(718,557)	(708,955)	(9,624)	(718,579)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Restricted share units ("RSU") reserve RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Revaluation reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
H shares issued	36,549	2,097,832	-	-	-	-	-	-	2,134,381	-	2,134,381
Transaction costs attributable to issue of H shares	-	(30,434)	-	-	-	-	-	-	(30,434)	-	(30,434)
Capital contribution to a subsidiary by non-controlling shareholders *(Note)*	-	-	-	-	514,094	-	-	-	514,094	380,906	895,000
Recognition of equity settled share-based payment expenses – share option *(Note 31)*	-	-	-	2,499	-	-	-	-	2,499	-	2,499
Recognition of equity settled share-based payment expenses – RSU *(Note 31)*	-	-	192,309	-	-	-	-	-	192,309	-	192,309
Exercise of share options	1,712	30,242	-	(16,208)	-	-	-	-	15,746	-	15,746
At 31 December 2021	910,757	10,671,992	217,874	19,068	514,094	19,454	(19,245)	(4,373,091)	7,960,903	371,279	8,332,182

Note: Pursuant to board resolution dated 16 December 2021, the Company proposed to increase the registered capital of Shanghai JunTop Biosciences Co., Ltd. (上海君拓生物醫藥科技有限公司) ("JunTop Biosciences"), a then wholly-owned subsidiary. External investors ("Round A Investors") proposed to subscribe for the newly increased registered capital of JunTop Biosciences at the price of RMB1,275,000,000. Upon the completion on the subscription, the Company and Round A Investors will hold 68.125% and 31.875% equity interest in JunTop Biosciences. As of 31 December 2021, capital amounting to RMB895,000,000 has been paid up to JunTop Biosciences by Round A Investors. Up to 25 March 2022, remaining capital amounting to RMB380,000,000 was injected to JunTop Biosciences.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(592,648)**	(1,669,461)
Adjustments for:		
Bank interest income	**(30,979)**	(20,278)
Finance costs	**21,833**	29,391
Government grants income related to property, plant and equipment	**(2,830)**	(1,798)
Net exchange losses	**16,198**	31,222
Net gains from changes in fair value of other financial assets measured at FVTPL	**(114,208)**	(43,594)
Gain on disposal of an associate	**–**	(630)
Depreciation of property, plant and equipment	**215,825**	120,581
Depreciation of right-of-use assets	**41,469**	28,745
Amortisation of intangible assets	**5,265**	2,036
Impairment loss, net of reversal – trade and other receivables	**(342)**	255
Write-down of inventories	**13,647**	4,227
Loss on disposal of property, plant and equipment	**34**	734
Share-based payment expenses	**192,754**	30,728
Share of (profit) loss of joint ventures	**(35)**	1
Share of losses of associates	**48,498**	3,804
Operating cash flows before movements in working capital	**(185,519)**	(1,484,037)
Increase in inventories	**(154,823)**	(166,986)
Increase in trade receivables	**(629,062)**	(512,646)
Increase in other assets, prepayments and other receivables	**(250,010)**	(3,660)
Increase in trade and other payables	**734,292**	658,446
(Decrease) increase in deferred income	**(19,170)**	11,778
Cash used in operations	**(504,292)**	(1,497,105)
Income tax paid	**(137,609)**	(1,701)
NET CASH USED IN OPERATING ACTIVITIES	**(641,901)**	(1,498,806)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

		Year ended 31 December	
		2021	2020
	NOTE	**RMB'000**	RMB'000
INVESTING ACTIVITIES			
Interest received		**30,979**	20,278
Payments for property, plant and equipment		**(772,346)**	(560,581)
Proceeds on disposal of property, plant and equipment		**11**	–
Payments for intangible assets		**(14,497)**	(26,718)
Upfront payments for right-of-use assets		**(99,385)**	(5,383)
Payments for rental deposits		**(19,774)**	(3,552)
Release of rental deposits		**3,663**	851
Placement of restricted bank deposit		**(2,033)**	–
Release of restricted bank deposit		**–**	6,828
Acquisition of investment in a joint venture		**(15,000)**	–
Acquisition of investment in associates	*18*	**(425,084)**	–
Proceeds on disposal of an associate		**–**	2,900
Acquisition of other financial assets		**(1,169,620)**	(175,137)
Proceeds from disposal of other financial assets		**565,284**	106
Repayment from a partner of a joint operation		**1,176**	9,443
Deposit paid for acquisition of a financial asset		**–**	(70,029)
Refund of deposit paid for acquisition of a financial asset		**–**	70,029
Advance to a partner of a joint operation		**(4,976)**	(4,520)
Receipt of government grants related to property, plant and equipment		**40,650**	37,509
NET CASH USED IN INVESTING ACTIVITIES		**(1,880,952)**	(697,976)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	NOTE	Year ended 31 December 2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES			
Proceeds from issue of H Shares		**2,134,381**	–
Payments for transaction costs for the issue of H Shares		**(29,677)**	–
Proceeds from issue of A Shares on the STAR Market		**–**	4,835,715
Payments for transaction costs for the issue of A shares		**–**	(337,730)
New borrowings raised		**500,000**	374,239
Repayments of borrowings		**(793,333)**	(401,416)
Interest paid		**(22,472)**	(46,236)
Repayments for lease liabilities		**(33,959)**	(22,269)
Capital contribution to a subsidiary by non-controlling shareholders		**895,000**	–
Proceeds from exercise of share options		**15,746**	11,219
NET CASH FROM FINANCING ACTIVITIES		**2,665,686**	4,413,522
NET INCREASE IN CASH AND CASH EQUIVALENTS		**142,833**	2,216,740
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**3,384,998**	1,214,026
Effect of foreign exchange rate changes		**(23,226)**	(45,768)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCE AND CASH		**3,504,605**	3,384,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

1. GENERAL

Shanghai Junshi Biosciences Co., Ltd.* (the "Company") was established in the People's Republic of China (the "PRC") on 27 December 2012 and converted into a joint stock company with limited liability in May 2015. In August 2015, the Company's domestic shares became listed on the National Equities Exchange and Quotations ("NEEQ") (stock code 833330). On 24 December 2018, the Company's H shares became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock code 1877). The domestic shares of the Company were delisted from NEEQ since 8 May 2020, and were converted to A shares and listed on the STAR Market of the Shanghai Stock Exchange on 15 July 2020 (stock code: 688180). The respective addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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

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

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

Amendment to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendment to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[2]

[1] Effective for annual periods beginning on or after 1 April 2021.

[2] Effective for annual periods beginning on or after 1 January 2022.

[3] Effective for annual periods beginning on or after 1 January 2023.

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

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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

New and amendments to IFRSs in issue but not yet effective (Continued)

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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

New and amendments to IFRSs in issue but not yet effective (Continued)

Amendments to IAS 1 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 is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measured fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Change in the Group's interests in existing subsidiaries

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

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

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Investments in associates and joint ventures (Continued)

For the investments in associates and joint ventures in ordinary shares, the results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The Group does not apply equity method for other financial instruments in an associate or joint venture. These includes long-term interests (including investments in preference shares), in substance, form part of the net investments in associates or joint ventures. The Group applies IFRS 9 *Financial Instruments* to such long-term interests and the Group does not take account of any adjustments to the carrying amount of the long-term interests that arise from applying IAS 28. The associates and the joint ventures use accounting policies that differ from those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associates' and the joint ventures' accounting policies to those of the Group. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or the joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture in ordinary shares is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture accounted for using equity method may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Investments in associates and joint ventures (Continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group accounted for using equity method, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Interests in joint operations (Continued)

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Except for granting of a license that is distinct from other goods and services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue recognition

The Group recognises revenue from the following major sources:

(a) Sales of pharmaceutical products

Revenue is recognised when control of the goods has been transferred, being when the goods have been delivered to the customer's specific location. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Revenue recognition (Continued)

(b) Licensing income

For granting of a licence that is distinct from other promise in granting a licence is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a licence as a performance obligation satisfied over time. Otherwise, the Group considers the grant of licence as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the licence is granted.

(c) Service income

The Group primarily earns revenues by providing consulting and researching services to its customers through fee-for-service contracts. Contracts duration ranges from a few weeks to months.

Revenue is recognised at a point in time for fixed fee arrangements when performance obligation is completed and has a present right to payment for the services performed.

Revenue is recognised over time for time-based service income based on the time the Group spent as the Group does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Variable consideration

For contracts that contain variable consideration in relation to discount provided to customers and sales-based royalty from license agreement, the Group estimates the amount of consideration to which it will be entitled using the expected value method and the most likely amount respectively, which best predicts the amount of consideration to which the Group will be entitled.

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

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

Notwithstanding the above criteria, the Group shall recognise revenue for a sales-based or usage-based royalty promised in exchange for a licence of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale or usage occurs; and
- the performance obligation to which some or all of the sales-based or usage based royalty has been allocated has been satisfied (or partially satisfied).

Refund liabilities

The Group recognises a refund liability (represents accrual for healthcare program) if the Group expects to refund some or all of the consideration received from customers.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combination, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components unless such allocation cannot be made reliably.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

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

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave) after deducting any amount already paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Share-based payment

Equity-settled share-based payment transactions

Shares/share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve or RSU reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve and RSU reserve.

When share options are exercised or RSUs are vested, the amount previously recognised in share option reserve or RSU reserve will be transferred to share premium. When the share options or RSUs are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve or RSU reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred taxes are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes and equipment under installation are carried at cost, less any recognised impairment losses. Cost include the depreciation of right-of-use assets provided during the construction period as part of costs of buildings under construction, and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable to operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure (Continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amounts of property, plant and equipment, right-of-use assets, intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories (including raw materials acquired for usage in development activities) are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Trial batches manufactured prior to regulatory approval (including raw materials cost) is charged to development expenses when they are produced. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the revaluation reserve.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables, restricted bank deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with respective risks of default occurring as the weights. Except for debtors with significant balance not backed by bank bills which ECL are assessed individually, the Group uses a practical expedient in estimating ECL on trade receivables not backed by bank bills using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort. Debtors with trade receivables backed by bank bills are assessed individually taking into consideration of the credit rating and reputation of the bank issuing the bills.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered using provision matrix taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial assets.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Research and development expenses

Development expenses incurred on the Group's drug product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management of the Group will assess the progress of each of the research and development projects and determine the criteria met for capitalisation. All development expenses were expensed when incurred during the current and prior years.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation of uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Deferred tax assets

As at 31 December 2021, deferred tax assets of RMB88,550,000 (2020: RMB26,113,000) in relation to unused tax losses and other deductible temporary differences for certain operating subsidiaries has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on deductible temporary differences of RMB451,455,000 (2020: RMB386,314,000) and the tax losses of RMB3,998,929,000 (2020: RMB3,529,965,000) for loss-making subsidiaries due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

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

Key sources of estimation uncertainty (Continued)

Fair value measurement of financial instruments

As at 31 December 2021, certain of the Group's Level 3 unlisted equity investments, unlisted equity investments in partnership and investments in preference shares amounting to RMB568,737,000 (2020: RMB172,127,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 36b for further disclosures.

5. REVENUE AND SEGMENT INFORMATION

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major revenue sources:

	2021 RMB'000	2020 RMB'000
Timing of revenue recognition		
At a point in time		
Sale of pharmaceutical products	**426,636**	1,102,278
Licensing income	**3,341,118**	405,103
Service income	**1,066**	87,516
	3,768,820	1,594,897
Over time		
Service income	**256,021**	–
	4,024,841	1,594,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Sales of pharmaceutical products

Revenue from sales of pharmaceutical products is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 60 days (2020: 35 to 65 days) upon delivery.

The transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customers. All sales of goods are for a period of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Licensing income

Licensing income was generated from a sub-license agreement with Lilly and a license agreement with Coherus Biosciences, Inc. ("Coherus") during the year ended 31 December 2021.

During the year ended 31 December 2020, the Group entered into a license agreement with an independent third party ("Licensor"), under which the Group obtained a worldwide exclusive and sub-licensable right to develop, manufacture and commercialise of a potential therapeutic antibodies product. The Group subsequently entered into a sub-licence agreement with Lilly for the right to develop, manufacture and commercialise that potential product in the territory other than the PRC.

During the year ended 31 December 2021, the Group entered into a license agreement with Coherus, where the Group granted Coherus an exclusive right to sublicense, develop, manufacture, commercialise a potential therapeutic product in the United States of America (the "USA") and Canada. Alongside the license agreement, the Group also granted Coherus two exclusive options to develop, manufacture, commercialise other potential therapeutic products. The Group may receive upfront payment and milestone payments of an aggregate amount of USD290,000,000 before sales-based royalty for each option.

Revenue is recognised upon the transfer of license, achievement of certain milestones for milestone payments and upon the subsequent sales of antibodies product and therapeutic product for sales-based royalty. During the year ended 31 December 2021, the Group recognised an upfront payment of RMB975,150,000 (2020: RMB70,956,000) and milestone payments amounting to RMB1,254,234,000 (2020: RMB334,147,000) and sales-based royalty amounting to RMB1,111,734,000 (2020: nil), respectively. The Group may receive remaining milestone payments up to an aggregate amount of USD960,000,000 before sales-based royalty.

Service income

The Group provides research and development services ("R&D"). Service income is recognised either at a point in time or over time, depending on the type of service provided. Revenue under fixed fee arrangement is recognised at a point in time for the R&D delivered to the customers by the Group. Performance obligation for the time-based service income is satisfied over time based on the time the Group spent as the Group does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date according to the agreement. The normal credit term is 45-60 days (2020: 60 days) upon issuance of invoices.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Service income (Continued)

The transaction price received by the Group is recognised as a contract liability until the services have been delivered to the customer. All sales of services are for a period of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

For the purpose of resources allocation and performance assessment, the Group's management, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. The Group has only one reportable segment. Accordingly, only geographical information and major customers are presented.

Geographical information

The Group's operations are located in the PRC and the USA.

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

	Revenue from external customers Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
The PRC	**427,312**	1,003,464
The USA	**3,597,529**	591,433
	4,024,841	1,594,897

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

	Non-current assets As at 31 December	
	2021	2020
	RMB'000	RMB'000
The PRC	**4,037,989**	2,902,608
The USA	**35,385**	13,947
	4,073,374	2,916,555

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Service income (Continued)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Lilly[1]	**2,366,358**	591,433
Coherus[2]	**1,231,171**	–

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

[2] Revenue from licensing income and service income.

6. OTHER INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Bank interest income	**30,979**	20,278
Government grants related to property, plant and equipment *(Note a)*	**2,830**	1,798
Other subsidies *(Note b)*	**89,061**	16,758
Compensation income *(Note c)*	**–**	38,504
Others	**892**	116
	123,762	77,454

Notes:

(a) Amounts represent subsidies from the PRC government specifically for the capital expenditure incurred for the acquisition of buildings situated on leasehold land in the PRC and machineries, which is recognised as income over the estimated useful life of the respective assets.

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

(c) Amount represents compensation income arising from cancellation of a contract in relation to sale of pharmaceutical products to a customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Fair value change of other financial assets measured at FVTPL	**114,208**	43,594
Gain on disposal of an associate	**–**	630
Loss on disposal of property, plant and equipment	**(34)**	(734)
Exchange losses, net	**(39,937)**	(11,672)
Others	**–**	(4,227)
	74,237	27,591

8. FINANCE COSTS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest on bank borrowings	**16,053**	43,115
Less: amounts capitalised in the cost of construction in progress	**–**	(16,803)
	16,053	26,312
Interest on lease liabilities	**5,780**	3,079
	21,833	29,391

No borrowing costs are capitalised during the year (2020: 5.23% capitalisation rate per annum to expenditure on qualifying assets).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

9. LOSS BEFORE TAX

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loss before tax has been arrived at after charging:		
Auditor's remuneration	**3,330**	3,080
Amortisation for intangible assets	**5,265**	2,036
Depreciation of right-of-use assets	**44,964**	32,240
Less: amounts capitalised in the cost of construction in progress	**(3,495)**	(3,495)
	41,469	28,745
Depreciation of property, plant and equipment	**224,834**	133,583
Less: amounts capitalised in the cost of construction in progress	**(9,009)**	(13,002)
	215,825	120,581
Donation expenses (included in other expenses)	**25,734**	52,979
Cost of inventories recognised as an expense (including allowance for inventories of RMB13,647,000 (2020: RMB4,227,000)):		
– Cost of sales	**135,976**	151,942
– Research and development expenses	**473,595**	310,623
Staff costs (including directors' emoluments):		
– Salaries and other benefits	**1,014,026**	860,104
– Retirement benefit scheme contributions	**120,479**	28,152
– Share-based payment expenses	**194,808**	32,114
Less: amounts capitalised in the cost of construction in progress	**(12,093)**	(27,357)
amounts included in the cost of inventories	**(82,113)**	(53,046)
	1,235,107	839,967

10. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")	**–**	1,695
United States Corporate Income Tax ("CIT")	**197,970**	–
Underprovision in prior year:		
CIT	**–**	6
	197,970	1,701
Deferred tax *(Note 28)*	**(62,437)**	(5,523)
	135,533	(3,822)

Under the Law of the PRC Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the Company and its PRC subsidiaries is 25% for both years.

The Company and its wholly-owned subsidiaries, Suzhou Union Biopharm Co., Ltd.* 蘇州眾合生物醫藥科技有限公司 and Shanghai Junshi Biotechnology Co., Ltd.* 上海君實生物工程有限公司 have been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Shanghai and relevant authorities on 18 November 2020, 30 November 2021 and 23 December 2021 for a term of three years from 2020 to 2022, 2021 to 2023 and 2021 to 2023 respectively, and has been registered with the local tax authorities for enjoying the reduced 15% EIT rate. Accordingly, the profit derived by the Company and the subsidiary is subject to 15% EIT rate for the reporting period. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authorities in the PRC for every three years.

CIT is 21% for both years.

TopAlliance Biosciences Inc., a wholly-owned subsidiary of the Company, is subject to the US California Corporate Income Tax rate of 8.84% (2020: 8.84%) for the year ended 31 December 2021. No provision for taxation in the United States has been made as TopAlliance Biosciences Inc. has no assessable profit for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

In addition, the Company is subject to CIT on licensing income received from USA-based customers amounting to RMB197,970,000 during the year ended 31 December 2021 (2020: nil). During the year ended 31 December 2021, effective tax rate ranges from 6% to 10%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

10. INCOME TAX EXPENSE (CREDIT) (CONTINUED)

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loss before tax	**(592,648)**	(1,669,461)
Tax charge at the PRC EIT rate of 25% (2020: 25%)	**(148,162)**	(417,365)
Tax effect of share of profit of joint ventures	**(9)**	–
Tax effect of share of losses of associates	**12,124**	951
Tax effect of income not taxable for tax purpose	**(28,233)**	–
Tax effect of expenses not deductible for tax purpose	**106,849**	61,051
Tax effect of research and development expenses that are additionally deducted *(Note)*	**(176,789)**	(138,825)
Tax effect on other deductible temporary differences not recognised	**41,943**	87,179
Utilisation of deductible temporary differences not recognised	**(25,658)**	–
Underprovision in prior year	**–**	6
Tax effect of tax losses not recognised	**119,262**	391,851
Income tax at concessionary rate	**36,236**	11,330
CIT – withholding tax	**197,970**	–
Income tax expense (credit) recognised in profit or loss	**135,533**	(3,822)

Note: Pursuant to Caishui [2018] circular No. 99, the Company, Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd.* and Suzhou Junmeng Biopharm Co. Ltd.* enjoy super deduction of 175% (2020: 175%) and Shanghai Junshi Biotechnology Co., Ltd.* and Suzhou Union Biopharm Co., Ltd.* enjoy super deduction of 200% (2020: 175%) on qualifying research and development expenditures for the years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. LOSS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(718,557)**	(1,665,639)

Number of shares:

	Year ended 31 December	
	2021	2020
Weighted average number of ordinary shares for the purpose of basic loss per share	**892,659,689**	824,816,637

(b) Diluted

The Company granted share options on 14 May 2018 and granted RSUs on 16 November 2020 and 15 November 2021 as set out in Note 31. The computation of diluted loss per share for the years ended 31 December 2021 and 31 December 2020 do not assume the exercise of the Company's outstanding share options and RSUs as this would result in a decrease in loss per share. Accordingly, diluted loss per share for the years ended December 31, 2021 and 2020 are the same as basic loss per share for the respective year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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

Directors and supervisors

Details of the emoluments paid or payable to the directors and the chief executive and supervisors of the Company for the services provided to the Group during both years are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Performance bonus RMB'000 *(Note l)*	Retirement benefit scheme contributions RMB'000	Subtotal RMB'000	Share-based payment expenses RMB'000	Total RMB'000
For the year ended 31 December 2021							
Chief executive and executive director							
Dr. Li Ning	–	7,288	18,748	–	26,036	12,333	38,369
Executive directors							
Mr. Xiong Jun	–	3,873	1,205	115	5,193	6,483	11,676
Dr. Feng Hui	–	3,527	645	67	4,239	6,483	10,722
Mr. Zhang Zhuobing	–	3,526	1,096	115	4,737	6,483	11,220
Dr. Yao Sheng	–	3,807	645	–	4,452	15,811	20,263
Mr. Li Cong *(Note a)*	–	350	–	–	350	–	350
Non-executive directors							
Dr. Wu Hai *(Note b)*	–	2,205	–	–	2,205	–	2,205
Mr. Tang Yi	–	–	–	–	–	–	–
Mr. Li Cong *(Note a)*	–	–	–	–	–	–	–
Mr. Yi Qingqing *(Note c)*	–	–	–	–	–	–	–
Mr. Lin Lijun	–	–	–	–	–	–	–
Supervisors							
Ms. Wang Pingping	–	–	–	–	–	–	–
Mr. Wu Yu	–	–	–	–	–	–	–
Ms. Huo Yilian *(Note d)*	–	130	–	42	172	–	172
Ms. Li Ruolin *(Note e)*	–	118	120	28	266	–	266
Mr. Liu Jun *(Note e)*	–	–	–	–	–	–	–
Mr. Fu Cexiong *(Note e)*	–	508	118	9	635	–	635
Independent non-executive directors							
Dr. Chen Lieping	5,160	–	–	–	5,160	–	5,160
Dr. Feng Xiaoyuan *(Note f)*	–	–	–	–	–	–	–
Mr. Qian Zhi	200	–	–	–	200	–	200
Dr. Roy Steven Herbst	1,935	–	–	–	1,935	–	1,935
Dr. Jiang Hualiang *(Note g)*	480	–	–	–	480	–	480
Mr. Zhang Chun	200	–	–	–	200	–	200
	7,975	25,332	22,577	376	56,260	47,593	103,853

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Directors and supervisors (Continued)

	Fees RMB'000	Salaries and other benefits RMB'000	Performance bonus RMB'000 *(Note l)*	Retirement benefit scheme contributions RMB'000	Subtotal RMB'000	Share-based payment expenses RMB'000	Total RMB'000
For the year ended 31 December 2020							
Chief executive and executive director							
Dr. Li Ning	–	7,637	17,990	18	25,645	1,415	27,060
Executive directors							
Mr. Xiong Jun	–	4,966	2,541	67	7,574	744	8,318
Dr. Feng Hui	–	3,046	1,350	27	4,423	744	5,167
Mr. Zhang Zhuobing	–	3,757	1,401	68	5,226	744	5,970
Dr. Yao Sheng	–	3,106	1,350	–	4,456	1,814	6,270
Dr. Wu Hai *(Note b)*	–	2,015	33,415	–	35,430	–	35,430
Non-executive directors							
Mr. Tang Yi	–	–	–	–	–	–	–
Mr. Li Cong	–	–	–	–	–	–	–
Mr. Yi Qingqing	–	–	–	–	–	–	–
Mr. Lin Lijun	–	–	–	–	–	–	–
Dr. Wu Hai *(Note b)*	–	–	–	–	–	–	–
Supervisors							
Ms. Wang Pingping	–	–	–	–	–	–	–
Mr. Wu Yu	–	–	–	–	–	–	–
Ms. Nie Anna *(Note h)*	–	197	250	17	464	–	464
Ms. Li Ruolin	–	240	199	30	469	–	469
Mr. Liu Jun	–	–	–	–	–	–	–
Mr. Fu Cexiong	–	211	–	–	211	–	211
Independent non-executive directors							
Dr. Chen Lieping	5,431	–	–	–	5,431	–	5,431
Dr. He Jia *(Note i)*	118	–	–	–	118	–	118
Mr. Chen Xinjun *(Note j)*	–	–	–	–	–	–	–
Mr. Qian Zhi	200	–	–	–	200	–	200
Dr. Roy Steven Herbst	2,025	–	–	–	2,025	–	2,025
Dr. Jiang Hualiang *(Note g)*	42	–	–	–	42	–	42
Mr. Zhang Chun *(Note k)*	106	–	–	–	106	–	106
	7,922	25,175	58,496	227	91,820	5,461	97,281

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For the year ended December 31, 2021

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

Directors and supervisors (Continued)

Notes:

(a) Mr. Li Cong was redesignated from non-executive director to executive director in November 2021. The salary and other benefits represent emoluments served as executive director.

(b) Dr. Wu Hai was re-designated from executive director to non-executive director in October 2020. The salary and other benefits represent emoluments for the years ended 31 December 2021 and 2020 served as non-executive director and executive director, respectively.

(c) Mr. Yi Qingqing resigned as non-executive director in June 2021.

(d) Ms. Huo Yilian was appointed as supervisor in June 2021.

(e) Ms. Li Ruolin, Mr. Liu Jun and Mr. Fu Cexiong retired from or resigned as supervisors in June 2021. The salary and other benefits represent emoluments for the year ended 31 December 2021 served as supervisors.

(f) Dr. Feng Xiaoyuan was appointed as independent non-executive director in December 2021.

(g) Dr. Jiang Hualiang was appointed as independent non-executive director in November 2020 and resigned in August 2021, and with effect from December 2021.

(h) Ms. Nie Anna resigned as supervisor in November 2020.

(i) Dr. He Jia resigned as independent non-executive director in June 2020.

(j) Mr. Chen Xinjun resigned as independent non-executive director in November 2020.

(k) Mr. Zhang Chun was appointed as independent non-executive director in June 2020.

(l) The performance bonus are determined by the board of directors based on the Group's performance for the years ended 31 December 2021 and 2020.

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

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

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

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For the year ended December 31, 2021

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

Employees

The five highest paid individuals of the Group during the year included four (2020: four) directors and chief executive of the Company.

Details of their emoluments are set out above. The emoluments of the remaining one (2020: one) highest paid employees who are neither a director nor chief executive nor supervisor of the Company are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries and other benefits	**3,354**	1,811
Performance bonus	**2,580**	5,900
Retirement benefit scheme contributions	**–**	34
Share-based payment expenses	**7,906**	–
	13,840	7,745

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

	Year ended 31 December	
	2021	2020
HK$7,000,001 to HK$7,500,000	**–**	1
HK$8,500,001 to HK$9,000,000	**–**	1
HK$9,500,001 to HK$10,000,000	**–**	1
HK$13,500,001 to HK$14,000,000	**1**	–
HK$14,000,001 to HK$14,500,000	**1**	–
HK$16,500,001 to HK$17,000,000	**1**	–
HK$24,000,001 to HK$24,500,000	**1**	–
HK$31,000,001 to HK$31,500,000	**–**	1
HK$40,500,001 to HK$41,000,000	**–**	1
HK$46,000,001 to HK$46,500,000	**1**	–

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

13. DIVIDENDS

No dividend was paid or declared by the Company during the years ended 31 December 2021 and 2020, nor has any dividend been declared since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

14. PROPERTY, PLANT AND EQUIPMENT

	Properties situated on leasehold land in the PRC	Machinery	Furniture, fixtures and equipment	Transportation equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2020	79,028	210,508	109,780	28,145	14,197	1,490,193	1,931,851
Additions	102,635	6,038	38,644	1,029	12,338	493,866	654,550
Transfer	704,785	699,860	156,842	5,224	–	(1,566,711)	–
Disposals	–	(2,133)	(670)	–	–	–	(2,803)
Exchange realignment	–	–	161	–	–	–	161
At 31 December 2020	886,448	914,273	304,757	34,398	26,535	417,348	2,583,759
Additions	2,445	1,015	60,286	4,148	30,489	509,505	607,888
Transfer	13,168	45,135	63,436	–	–	(121,739)	–
Disposals	(2,986)	(10)	(950)	–	–	–	(3,946)
Exchange realignment	–	–	63	–	–	–	63
At 31 December 2021	**899,075**	**960,413**	**427,592**	**38,546**	**57,024**	**805,114**	**3,187,764**
DEPRECIATION							
At 1 January 2020	6,900	46,086	34,731	11,303	4,963	–	103,983
Provided for the year	28,085	57,829	34,260	5,073	8,336	–	133,583
Disposals	–	(1,622)	(447)	–	–	–	(2,069)
Exchange realignment	–	–	107	–	–	–	107
At 31 December 2020	34,985	102,293	68,651	16,376	13,299	–	235,604
Provided for the year	42,494	88,619	71,787	6,001	15,933	–	224,834
Disposals	(162)	(10)	(328)	–	–	–	(500)
Exchange realignment	–	–	17	–	–	–	17
At 31 December 2021	**77,317**	**190,902**	**140,127**	**22,377**	**29,232**	**–**	**459,955**
CARRYING VALUES							
At 31 December 2021	**821,758**	**769,511**	**287,465**	**16,169**	**27,792**	**805,114**	**2,727,809**
At 31 December 2020	851,463	811,980	236,106	18,022	13,236	417,348	2,348,155

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis after taking into account of the residual value as follows:

Properties situated on leasehold land in the PRC	4.75% per annum
Machinery	9.50% – 31.67% per annum
Furniture, fixtures and equipment	19.00% – 31.67% per annum
Transportation equipment	19.00% – 31.67% per annum
Leasehold improvement	33.33% – 50.00% per annum

As at 31 December 2021, certain of the Group's property, plant and equipment with an aggregate carrying amount of RMB664,538,000 (2020: RMB1,716,673,000) have been pledged to secure bank borrowings (Note 25) granted to the Group.

The Group has obtained the property ownership certificate for all properties except for certain properties with carrying amount of RMB93,243,000 (2020: RMB96,491,000) in which the Group is in the process of obtaining.

15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2021			
Carrying amount	**224,729**	**117,254**	**341,983**
As at 31 December 2020			
Carrying amount	**131,069**	**55,170**	**186,239**
For the year ended 31 December 2021			
Depreciation charge	**5,725**	**39,239**	**44,964**
For the year ended 31 December 2020			
Depreciation charge	5,559	26,681	32,240

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

15. RIGHT-OF-USE ASSETS (CONTINUED)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Expenses relating to short-term leases	**4,233**	7,441
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	**248**	151
Total cash outflow for leases	**143,605**	38,323
Additions to right-of-use assets	**200,708**	38,961

For both years, the Group leases leasehold lands and leased properties for its operations. Except for lease contracts for leasehold lands which are entered into for a fixed term of 20 to 50 years, lease contracts for leased properties are entered into for fixed term of one to five years (2020: one to four years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group, owns several industrial buildings where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for properties. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

As at 31 December 2021, certain of the Group's right-of-use assets with an aggregate carrying amount of RMB55,611,000 (2020: RMB58,862,000) have been pledged to secure bank borrowings (Note 25) granted to the Group.

As at 31 December 2021, the Group did not enter into new leases that have not yet commenced (2020: new leases that have not yet commenced with average non-cancellable period ranging from one to three years, the total future undiscounted cash flows over the non-cancellable period amounted to RMB37,280,000).

Details of the lease maturity analysis of lease liabilities are set out in Note 27 and 36b.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

16. INTANGIBLE ASSETS

	Computer software RMB'000	In-license RMB'000 *(Note)*	Patent RMB'000	Total RMB'000
COST				
At 1 January 2020	7,539	–	–	7,539
Additions	6,855	19,811	98	26,764
At 31 December 2020	14,394	19,811	98	34,303
Additions	14,497	–	–	14,497
At 31 December 2021	**28,891**	**19,811**	**98**	**48,800**
AMORTISATION				
At 1 January 2020	1,248	–	–	1,248
Charge for the year	2,029	–	7	2,036
At 31 December 2020	3,277	–	7	3,284
Charge for the year	5,253	–	12	5,265
At 31 December 2021	**8,530**	**–**	**19**	**8,549**
CARRYING VALUES				
At 31 December 2021	**20,361**	**19,811**	**79**	**40,251**
At 31 December 2020	11,117	19,811	91	31,019

The above intangible assets with finite useful lives are amortised on a straight-line basis as follow:

Computer software	20% – 50% per annum
Patent	10% per annum

Note: On 28 August 2020, the Group entered into an in-license agreement with an independent third party under which the Group was granted a world-wide exclusive, sub-licensable license to use certain technology, for the purpose of conducting preclinical development, clinical research and commercialisation of certain drug. The Group paid an upfront payment of RMB19,811,000 and such payment was capitalised as intangible asset. The management is of the view that the intangible asset is not yet available for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. INTERESTS IN JOINT VENTURES

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of investments in joint ventures	**16,000**	1,000
Share of post-acquisition profits	**56**	21
	16,056	1,021

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

Name of entities	Form of entity	Country of establishment	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
				As at 31 December 2021	As at 31 December 2020	**As at 31 December 2021**	As at 31 December 2020	
Beijing Tianshi Pharmaceutical Technology Co., Ltd.* (北京天實醫藥科技有限公司)	Limited liability company	The PRC	The PRC	**50%**	50%	**50%**	50%	Inactive
Suzhou Kebo Ruijun Biosciences Co., Ltd.* (蘇州科博瑞君生物醫藥科技有限公司)	Limited liability company	The PRC	The PRC	**50%**	50%	**50%**	50%	Inactive

None of the Group's joint ventures is considered to be individually material and therefore, no additional summarised financial information of material joint ventures is disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. INTERESTS IN JOINT VENTURES (CONTINUED)

Aggregate information of joint ventures that are not individually material

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
The Group's share of profit (loss) and total comprehensive income (expense)	**35**	(1)
Aggregate carrying amount of the Group's interests in these joint ventures	**16,056**	1,021

18. INTERESTS IN ASSOCIATES

On 30 April 2021, the Group acquired 50% equity interest of Junshi Risen (Shanghai) Pharmaceutical Technology Co., Ltd*("君實潤佳(上海)醫藥科技有限公司") for a cash consideration of RMB20,000,000. On 19 July 2021, the Group invested in 50% equity interest of Shanghai Junshi Xihai Biotechnology Co., Ltd. *("上海君實西海生物科技有限公司") for a cash consideration of RMB50,000,000.

During the year, the Group has made capital injection in aggregate of RMB355,084,000 to the associates, Anwita Biosciences, Inc. ("Anwita"), Shanghai Junpai Yingshi Bio Pharmaceutical Co., Ltd. * ("上海君派英實藥業有限公司") and Suzhou Junjing Biosciences Co., Ltd.* ("蘇州君境生物醫藥科技有限公司").

	At 31 December	
	2021 RMB'000	2020 RMB'000
Cost of investments in associates	**495,930**	70,846
Share of post-acquisition losses	**(50,857)**	(5,203)
Exchange realignment	**(3,337)**	(493)
	441,736	65,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

18. INTERESTS IN ASSOCIATES (CONTINUED)

Details of each of the Group's associates at the end of the reporting period are as follow:

Name of entities	Form of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
				As at 31 December 2021	As at 31 December 2020	As at 31 December 2021	As at 31 December 2020	
Anwita	Limited liability company	The USA	The USA	19.53% *(Note)*	20%	19.53% *(Note)*	20%	Discovery, development and commercialisation of innovative drugs
Shanghai Junpai Yingshi Pharmaceutical Co., Ltd.* ("JPYP") (上海君派英實藥業有限公司)	Limited liability company	The PRC	The PRC	50%	50%	50%	50%	Discovery, development and commercialisation of innovative drugs
Suzhou Junjing Biomedical Technology Co., Ltd.* (蘇州君境生物醫藥科技有限公司)	Limited liability company	The PRC	The PRC	50%	50%	50%	50%	Inactive
Junshi Risen (Shanghai) Pharmaceutical Technology Co., Ltd.* (君實潤佳(上海)醫藥科技有限公司)	Limited liability company	The PRC	The PRC	50%	N/A	50%	N/A	Inactive
Shanghai Junshi Xihai Biotechnology Co., Ltd.* (上海君實西海生物科技有限公司)	Limited liability company	The PRC	The PRC	50%	N/A	50%	N/A	Inactive

Note: The Group has significant influence over the investee as one out of five members in the board of directors is designated by the Group.

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

All of these associates are accounted for using equity method in these consolidated financial statements.

Anwita

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Current assets	**180,318**	47,815
Non-current assets	**38,410**	13,159
Current liabilities	**(51,957)**	(7,466)
Non-current liabilities	**(412)**	(343)

	Year ended 31 December 2021	Year ended 31 December 2020
	RMB'000	RMB'000
Revenue	**40,077**	14,176
Loss and total comprehensive expense for the year	**(15,189)**	(18,602)

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18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate (Continued)

Anwita (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Net assets of Anwita	**166,359**	53,165
Proportion of the Group's ownership interest in Anwita	**19.53%**	20%
The Group's share of net assets of Anwita	**32,490**	10,633
Goodwill	**75,115**	55,010
Exchange adjustments	**(3,337)**	(493)
Carrying amount of the Group's interest in Anwita	**104,268**	65,150

The management of the Group considers the operation and performance of Anwita is in accordance with the business plan of discovery, development and commercialisation of innovative drugs. Therefore, there is no indicator for impairment for Anwita.

JPYP

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Current assets	**153,865**	–
Non-current assets	**429,646**	–
Current liabilities	**(63,931)**	–

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate (Continued)

JPYP (Continued)

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Revenue	–	–
Research and development expenses	(77,188)	–
Loss and total comprehensive expense for the year	(80,422)	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	At 31 December	
	2021 RMB'000	2020 RMB'000
Net assets of JPYP	519,580	–
Proportion of the Group's ownership interest in JPYP	50%	N/A
The Group's share of net assets of JPYP	259,790	–
Carrying amount of the Group's interest in JPYP	259,790	–

The management of the Group considers the operation and performance of JPYP is in accordance with the business plan of discovery, development and commercialisation of innovative drugs. Therefore, there is no indicator for impairment for JPYP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
The Group's share of loss and total comprehensive expense for the year	(5,322)	–
Aggregate carrying amount of the Group's interests in these associates	77,678	–

19. INVENTORIES

	At 31 December	
	2021 RMB'000	2020 RMB'000
Raw materials	353,059	277,288
Work in progress	102,665	31,887
Finished goods	28,877	34,250
	484,601	343,425

20. TRADE RECEIVABLES

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables	**1,285,243**	589,207
Trade receivables backed by bank bills	**7,690**	74,116
	1,292,933	663,323
Less: Allowance for credit losses	**–**	–
	1,292,933	663,323

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

As at 1 January 2020, the trade receivables from contracts with customers amounted to RMB157,416,000.

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

	At 31 December	
	2021	2020
	RMB'000	RMB'000
0 – 30 days	**1,285,217**	573,437
31 – 90 days	**26**	27,876
91 – 180 days	**–**	61,103
Over 180 days	**7,690**	907
	1,292,933	663,323

As at 31 December 2021, no trade receivables are past due. As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB61,583,000 which are past due. Out of the past due balances, no trade receivables have been past due 90 days or more.

As at 31 December 2021, total bank bills received amounting to RMB7,690,000 (2020: RMB74,116,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

Details of impairment assessment of trade receivables and trade receivables backed by bank bills are set out in Note 36.

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For the year ended December 31, 2021

21. OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Deposits		
– current	**13,780**	24,523
– non-current	**16,796**	12,754
Prepayments		
– current *(Note a)*	**397,383**	265,524
– non-current *(Note b)*	**351,534**	130,674
Amount due from a partner of a joint operation *(Note c)*		
– current	**4,976**	1,176
Deposits in relation to use right of lands *(Note d)*		
– current	**7,719**	2,715
– non-current	**11,579**	–
Value added tax ("VAT") recoverable *(Note e)*		
– current	**125,873**	13,948
– non-current	**154,005**	154,297
	1,083,645	605,611
Less: Allowance for credit losses	**(590)**	(932)
	1,083,055	604,679
Analysis as		
– current	**549,141**	306,954
– non-current	**533,914**	297,725
	1,083,055	604,679

21. OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Notes:

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

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

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

(d) In December 2016, the Group paid a refundable and interest-bearing deposit amounted to RMB13,574,000 to the Development and Construction Management Committee of Shanghai Lingang industrial area (the "Management Committee") for acquiring the use right of a land located in Shanghai Lingang Industrial Area ("Shanghai Lingang") in order to construct its industrialisation facility to product future drug pipelines. As at 31 December 2020, 80% of the deposit of RMB10,859,000 was refunded, the remaining 20% of the deposit of RMB2,715,000 will be refunded upon commencement of production. The industrialisation facility has been commenced for production during the year ended 31 December 2021 and the remaining 20% deposit of RMB2,715,000 has been refunded.

In November 2021, the Group paid a refundable and interest-bearing deposit amounting to RMB19,298,000 to the Management Committee for acquiring the use right of land located in Shanghai Zhoupu in order to construct its industrialisation facility to product future drug pipelines. 40% of the deposit of RMB7,719,000 will be refunded upon the initiation of the construction of the facility. The remaining 60% of the deposit of RMB11,579,000 will be refunded upon completion of the construction.

RMB7,719,000 (2020: RMB2,715,000) is expected to be recovered within the next twelve months from the end of the reporting period and therefore presented as current assets as at 31 December 2021.

(e) Included in VAT recoverable are RMB125,873,000 (2020: RMB13,948,000) presented as current assets as at 31 December 2021 since they are expected to be deducted from future VAT payable arising on the Group's revenue which are expected to be generated within the next twelve months from the end of the reporting period. The remaining VAT recoverable of RMB154,005,000 (2020: RMB154,297,000) are therefore presented as non-current assets as at 31 December 2021.

Details of impairment assessment of other receivables are set out in Note 36.

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22. OTHER FINANCIAL ASSETS

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Current assets		
Financial assets measured at FVTPL		
– Fund	**–**	17
Non-current assets		
Financial assets measured at FVTPL		
– Unlisted equity investments in partnership *(Note a)*	**155,218**	77,030
– Unlisted equity investments *(Note b)*	**46,664**	133,007
– Investments in preference shares *(Note c)*	**551,651**	146,688
– Warrant *(Note d)*	**20,000**	–
	773,533	356,725
Financial asset designated as FVTOCI *(Note e)*	**253,575**	–
	1,027,108	356,725

Notes:

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

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

(c) The amounts represent investments in preference shares in unlisted entities established in the PRC, the USA and the Cayman Islands, which are mainly engaged in drug discovery. For the investment in preference shares in an unlisted entity established in the Cayman Islands with fair value of RMB78,569,000 (2020: RMB68,199,000), one out of seven members in the board of directors is designated by the Group.

(d) The amount represents investment in a warrant amounted to RMB20,000,000 for the right to subscribe 4,687,301 preference shares of an investee. The Group may exercise its rights to acquire the preference shares of the investee 3 months after the approval on overseas direct investment by the State Administration of Foreign Exchange.

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

23. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank deposits represent the deposits restricted for settlement to the supplier for acquisition of equipment. The restricted bank deposits amounted to RMB459,000 and RMB1,574,000 will be released on January 2022 and September 2023, respectively.

Bank balances and cash of the Group comprised of cash and short-term bank deposits with an original maturity of three months or less. Bank balances carrying interest at market rates which ranged from 0.0001% to 3.66% per annum at 31 December 2021 (2020: from 0.01% to 3.30% per annum).

Details of the impairment assessment of restricted bank deposits and bank balances are set out in Note 36.

24. TRADE AND OTHER PAYABLES

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables	**196,205**	90,706
Accrued expenses in respect of:		
– construction costs of construction in progress	**89,874**	106,018
– research and development expenses *(Note a)*	**227,709**	215,933
– selling and distribution expenses	**64,569**	31,656
– others	**54,149**	48,330
Payment to Licensor *(Note b)*	**932,509**	210,552
Payment to a collaboration party under collaboration agreement *(Note c)*	**15,742**	30,149
Accrual for healthcare program	**–**	64,354
Salary and bonus payables	**213,777**	205,026
Other tax payables	**20,579**	19,620
Capital contribution payable to an investment in preference shares *(Note d)*	**–**	68,199
Non-refundable deposit received from license agreement	**–**	32,625
Payable for transaction costs for the issue of H shares	**757**	–
Other payables	**91,653**	91,848
	1,907,523	1,215,016

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For the year ended December 31, 2021

24. TRADE AND OTHER PAYABLES (CONTINUED)

As at 31 December 2021, included in trade payables and other payables were RMB8,400,000 and RMB1,224,000 of related-parties payables (2020: nil) to Shanghai Ruotuo Biotechnology Co., Ltd. ("Ruotuo Bio") and Jiangsu Ruihe Environmental Engineering Research Centre Co., Ltd ("Ruihe") for service fee payables and construction payables. Ruotuo is a subsidiary of the associate the Group invested in, Anwita and one of the Company's director, Tang Yi is also the director of Ruihe. Payment terms with suppliers are mainly with credit term of 15 days to 60 days (2020: 15 days to 60 days) from the time when the goods and services are received from the suppliers. The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
0 – 30 days	**143,117**	74,433
31 – 60 days	**32,625**	4,316
61 – 180 days	**13,473**	2,009
Over 180 days	**6,990**	9,948
	196,205	90,706

Notes:

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

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

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

(d) Amount represents capital contribution payable to an investment in preference shares as set out in Note 22.

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25. BORROWINGS

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Bank borrowings		
– secured	**500,596**	774,568
– unsecured	**–**	20,000
	500,596	794,568
The maturity profile of bank borrowings is as follows:		
– within one year	**10,596**	252,346
– within a period of more than one year but not exceeding two years	**30,000**	542,222
– within a period of more than two years but not exceeding five years	**220,000**	–
– within a period of more than five years	**240,000**	–
	500,596	794,568
Less: Amount due within one year shown under current liabilities	**(10,596)**	(252,346)
Amount shown under non-current liabilities	**490,000**	542,222

All bank borrowings are carried at fixed-rate and denominated in RMB as at 31 December 2021 and 2020.

The effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	At 31 December	
Effective interest rate:	**2021**	2020
Fixed-rate bank borrowings	**3.90% per annum**	5.23% per annum

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

	2021	2020
	RMB'000	RMB'000
Property, plant and equipment	**664,538**	1,716,673
Right-of-use assets	**55,611**	58,862
	720,149	1,775,535

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26. DEFERRED INCOME

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Government grants related to property, plant and equipment *(Note a)*	**109,326**	71,506
Other subsidies *(Note b)*	**13,133**	32,303
	122,459	103,809
Analysis as:		
– current	**3,683**	–
– non-current	**118,776**	103,809

Notes:

(a) The Group received government grants for capital expenditure incurred for the acquisition of buildings situated on leasehold land in the PRC and machineries. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

(b) Other subsidies are generally provided in relation to the research and development activities of the Group which are recognised as income upon meeting the specific conditions.

27. LEASE LIABILITIES

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**34,472**	25,220
Within a period of more than one year but not more than two years	**34,031**	16,942
Within a period of more than two years but not more than five years	**59,096**	14,049
	127,599	56,211
Less: Amount due for settlement with 12 months shown under current liabilities	**(34,472)**	(25,220)
Amount due for settlement after 12 months shown under non-current liabilities	**93,127**	30,991

The weighted average incremental borrowing rate applied to lease liabilities is 5.22% (2020: 5.22%) per annum.

28. DEFERRED TAXATION

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

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Deferred tax assets	**88,550**	26,113

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

	ECL provision	**Inventory**	**Deferred income**	**Unused tax losses**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	27	–	939	19,624	20,590
(Charged) credited to profit or loss	(21)	468	(117)	5,193	5,523
At 31 December 2020	6	468	822	24,817	26,113
Credited to profit or loss	23	2,099	1,388	58,927	62,437
At 31 December 2021	**29**	**2,567**	**2,210**	**83,744**	**88,550**

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28. DEFERRED TAXATION (CONTINUED)

As at 31 December 2021, the Group had deductible temporary differences and unused tax losses of RMB483,490,000 (2020: RMB392,746,000) and RMB4,557,225,000 (2020: RMB3,691,921,000), respectively, available for offset against future profits. A deferred tax asset has been recognised in respect of RMB32,035,000 (2020: RMB6,432,000) and RMB558,296,000 (2020: RMB161,956,000) of such deductible temporary differences and tax losses respectively as at 31 December 2021. Balance of deductible temporary differences and unused tax losses for which no deferred tax assets have been recognised due to the unpredictability of future profit streams are as follows:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Accrued expenses	**225,816**	304,327
Share-based payment expenses	**205,846**	39,207
Deferred income	**14,132**	35,720
Tax losses	**3,998,929**	3,529,965
Others	**5,661**	7,060
	4,450,384	3,916,279

The unrecognised unused tax losses for the PRC subsidiaries of RMB3,921,172,000 (2020: RMB3,482,986,000) will be expired in next ten years.

At the end of reporting period, the Group has net operating loss in the USA subsidiary carry forwards for federal income tax purposes of RMB77,757,000 (2020: RMB46,979,000) that are available to offset future profits. As at 31 December 2021 and 2020, all tax losses may carry forward indefinitely under the Act but subject to certain limitations.

29. SHARE CAPITAL

	Total number of shares	Amount RMB'000
Registered, issued and fully paid at RMB1.0 per share:		
At 1 January 2020	784,146,500	784,147
A shares issued upon listing on the STAR Market *(Note a)*	87,130,000	87,130
Exercise of share options *(Note 31)*	1,219,500	1,219
At 31 December 2020	872,496,000	872,496
H shares issued on the Stock Exchange *(Note b)*	36,549,200	36,549
Exercise of share options *(Note 31)*	1,711,500	1,712
At 31 December 2021	**910,756,700**	**910,757**

Notes:

(a) On 15 July 2020, the Company issued 87,130,000 A shares at RMB55.50 per share for a total gross proceeds of RMB4,835,715,000 from the listing on the STAR Market of the Shanghai Stock Exchange. The proceeds of RMB87,130,000 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of RMB4,748,585,000 were credited to share premium account of the Company. On the same date, the Company's A shares were listed on the STAR Market of the Shanghai Stock Exchange.

(b) On 23 June 2021, the Company issued 36,549,200 new H shares at HK$70.18 (equivalent to RMB58.39) per share for a total gross proceeds of HK$2,565,023,000 (equivalent to RMB2,134,381,000) from placing of new H shares. The proceeds of RMB36,549,000 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of RMB2,097,832,000 were credited to the share premium account of the Company.

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

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30. CAPITAL AND OTHER COMMITMENTS

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– acquisition of property, plant and equipment	**472,493**	387,582
Other commitments in respect of:		
– investment in a joint venture	**–**	15,000
– investments in associates	**192,000**	125,000
	192,000	140,000

31. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme

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

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

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

31. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

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

As at 31 December 2021, the number of options which remain outstanding under the Share Option Scheme was 1,845,200 (2020: 3,666,700) which, if exercise in full, representing 0.21% (2020: 0.42%) of the shares of the Company in issue at that date.

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

For the year ended 31 December 2021

				Number of share options				
Date of grant	Exercise price RMB	Vesting date (after Second Amended Option Scheme)	Expiry date (after Second Amended Option Scheme)	Outstanding at 1 January 2021	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2021
14 May 2018	9.20	16 December 2020	15 December 2021	1,711,500	–	(1,711,500)	–	–
14 May 2018	9.20	16 December 2021	15 December 2022	1,955,200	–	–	(110,000)	1,845,200
				3,666,700	–	(1,711,500)	(110,000)	1,845,200
Exercisable at the end of the year								1,845,200
Weighted average exercise price (RMB)					–	9.20	9.20	9.20

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31. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

For the year ended 31 December 2020

						Number of share options				
Date of grant	Exercise price RMB	Vesting date (before Second Amended Option Scheme)	Vesting date (after Second Amended Option Scheme)	Expiry date (before Second Amended Option Scheme)	Expiry date (after Second Amended Option Scheme)	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2020
14 May 2018	9.20	12 March 2019	12 March 2019	12 March 2020	15 December 2020	1,303,250	–	(1,219,500)	(83,750)	–
14 May 2018	9.20	12 March 2020	16 December 2020	12 March 2021	15 December 2021	1,824,550	–	–	(113,050)	1,711,500
14 May 2018	9.20	12 March 2021	16 December 2021	12 March 2022	15 December 2022	2,085,200	–	–	(130,000)	1,955,200
						5,213,000	–	(1,219,500)	(326,800)	3,666,700
Exercisable at the end of the year										1,711,500
Weighted average exercise price (RMB)							–	9.20	9.20	9.20

In respect of the share options exercised during the year, the weighted average share price of A shares at the date of exercise was RMB83.99 (2020: RMB77.83).

During the year ended 31 December 2021, total share-based payment expenses of RMB2,461,000 (2020: RMB6,158,000) (net of RMB38,000 (2020: RMB391,000) capitalised in cost of construction in progress) have been recognised in profit or loss.

31. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Restricted A Share Incentive Scheme

Pursuant to a resolution passed on 16 November 2020, the Company adopted the Restricted A Share Incentive Scheme (the "Restricted A Share Scheme") for the purpose of attract and retain the Group's personnel and to ensure the Group's development strategy and business goals. Eligible persons including but not limited to the Group's directors, senior management and employees. Under the Restricted A Share Scheme, 28,519,000 RSUs are granted to eligible persons. The RSUs are vested as follows:

On 1st anniversary of the first trading day following the end of the 12 months from 16 November 2020	40% vest
On 2nd anniversary of the first trading day following the end of the 24 months from 16 November 2020	further 30% vest
On 3rd anniversary of the first trading day following the end of the 36 months from 16 November 2020	remaining 30% vest

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

For the year ended 31 December 2021

			Number of RSUs			
Date of grant	Vesting date	Expiry Date	Outstanding at 1 January 2021	Granted during the year	Forfeited during the year	Outstanding at 31 December 2021
16 November 2020	16 November 2021	16 November 2022	11,407,600	–	–	11,407,600
16 November 2020	16 November 2022	16 November 2023	8,555,700	–	(2,136,850)	6,418,850
16 November 2020	16 November 2023	16 November 2024	8,555,700	–	(2,136,850)	6,418,850
Total			28,519,000	–	(4,273,700)	24,245,300

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31. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Restricted A Share Incentive Scheme (Continued)

For the year ended 31 December 2020

			Number of RSUs			
Date of grant	Vesting date	Expiry Date	Outstanding at 1 January 2020	Granted during the year	Forfeited during the year	Outstanding at 31 December 2020
16 November 2020	16 November 2021	16 November 2022	–	11,407,600	–	11,407,600
16 November 2020	16 November 2022	16 November 2023	–	8,555,700	–	8,555,700
16 November 2020	16 November 2023	16 November 2024	–	8,555,700	–	8,555,700
Total			–	28,519,000	–	28,519,000

During the year ended 31 December 2021, share-based payment expense of RMB184,785,000 (2020: RMB24,570,000) (net of RMB2,016,000 (2020: RMB995,000)) capitalised in cost of construction in progress) has been recognised in profit or loss.

Reserved Restricted A Share Incentive Scheme

Pursuant to a resolution passed on 15 November 2021, the Company adopted the Reserved Restricted A Share Incentive Scheme (the "Reserved Restricted A Share Scheme") for the purpose of attract and retain the Group's personnel and to ensure the Group's development strategy and business goals. Eligible persons including but not limited to the Group's directors, senior management and employees. Under the Reserved Restricted A Share Scheme, 7,129,000 RSUs are granted to eligible persons. The RSUs are vested as follows:

On 1st anniversary of the first trading day following the end of the 12 months from 15 November 2021	50% vest
On 2rd anniversary of the first trading day following the end of the 24 months from 15 November 2021	further 50% vest

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

31. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Reserved Restricted A Share Incentive Scheme (Continued)

For the year ended 31 December 2021

			Number of RSUs			
Date of grant	Vesting date	Expiry Date	Outstanding at 1 January 2021	Granted during the year	Forfeited during the year	Outstanding at 31 December 2021
15 November 2021	15 November 2022	15 November 2023	–	3,564,500	–	3,564,500
15 November 2021	15 November 2023	15 November 2024	–	3,564,500	–	3,564,500
Total			–	7,129,000	–	7,129,000

During the year ended 31 December 2021, share-based payment expense of RMB5,508,000 has been recognised in profit or loss.

32. RETIREMENT BENEFIT SCHEMES

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the relevant local government. The Company's subsidiaries situated in the PRC are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions.

The Group's subsidiary in the USA adopted a defined contributions plan pursuant to which the Group matches 50 cents for every dollar contributed by each qualifying member of staff up to 4% of their salaries. The maximum match is 2% of the qualifying member of staff's gross pay.

During the year ended 31 December 2021, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represents contributions paid or payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefits scheme contributions incurred by the Group for employees in the PRC amounted to RMB118,839,000 (2020: RMB26,895,000) while retirement benefits scheme contributions incurred for employees in the USA amounted to RMB1,640,000 (2020: RMB1,257,000).

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33. RELATED PARTY DISCLOSURES

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position, the Group had also entered into the following transactions with related parties:

(a) Research and development expense incurred

	Year ended 31 December	
Name of related parties	**2021**	2020
	RMB'000	RMB'000
Ruotuo Bio	**23,026**	–
Anwita	**24,627**	13,156
	47,653	13,156

(b) Construction cost incurred

	Year ended 31 December	
Name of related party	**2021**	2020
	RMB'000	RMB'000
Ruihe	**3,743**	–

(c) Expense paid on behalf of

	Year ended 31 December	
Name of related party	**2021**	2020
	RMB'000	RMB'000
JPYP	**–**	159

33. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Compensation of directors and key management personnel

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Short-term benefits and performance bonus	**82,123**	115,029
Share-based payment expenses	**63,363**	6,928
Post-employment benefits	**807**	518
	146,293	122,475

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

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34. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at 31 December 2021 and 2020 are set out below.

Name of subsidiaries	Place of operation/ establishment, date of incorporation and form of legal entity	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Company		Principal activities
			As at 31 December 2021	As at 31 December 2020	
Directly held:					
Shanghai Junshi Biotechnology Co., Ltd.* (上海君實生物工程有限公司)	The PRC 29 June 2016 Limited liability company	Registered capital of RMB1,000,000,000 and paid-up capital of RMB1,000,000,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd.* (江蘇眾合醫藥科技有限公司)	The PRC 1 April 2013 Limited liability company	Registered capital of RMB60,000,000 and paid-up capital of RMB45,000,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Suzhou Junmeng Biopharm Co., Ltd.* (蘇州君盟生物醫藥科技有限公司)	The PRC 12 October 2013 Limited liability company	Registered capital of RMB600,000,000 and paid-up capital of RMB600,000,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Taizhou Junshi Biosciences Co., Ltd.* (泰州君實生物醫藥科技有限公司)	The PRC 9 May 2014 Limited liability company	Registered capital of RMB5,000,000 and paid-up capital of RMB Nil	100%	100%	Discovery, development and commercialisation of innovative drugs
Suzhou Union Biopharm Co., Ltd.* (蘇州眾合生物醫藥科技有限公司)	The PRC 12 October 2013 Limited liability company	Registered capital of RMB750,000,000 and paid-up capital of RMB725,600,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Suzhou TopAlliance Biosciences Co., Ltd.* (蘇州君實生物醫藥科技有限公司)	The PRC 26 July 2017 Limited liability company	Registered capital of RMB500,000,000 and paid-up capital of RMB169,169,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Junshi Hong Kong Limited (香港君實有限公司)	Hong Kong 23 April 2019 Limited liability	10,000,000 ordinary shares at HK$1 each	100%	100%	Inactive

34. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of operation/ establishment, date of incorporation and form of legal entity	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Company		Principal activities
			As at 31 December 2021	As at 31 December 2020	
Directly held: (continued)					
TopAlliance Biosciences Inc.	The United States 6 March 2013	Registered capital of USD95,000,000 (equivalent to RMB605,692,000) and paid-up capital of USD77,700,000 (equivalent to RMB506,983,000)	100%	100%	Discovery, development and commercialisation of innovative drugs
Junshi Venture Capital (Hainan) Co., Ltd.* (君實創業投資(海南)有限公司)	The PRC 12 June 2021 Limited liability company	Registered capital of RMB10,000,000 and paid-up capital of RMB 3,000,000	100%	–	Inactive
Junshi Biomedical Technology (Hainan) Investment Management Co., Ltd.* (君實生物醫藥科技(海南)有限公司)	The PRC 24 September 2021 Limited liability company	Registered capital of RMB50,000,000 and paid-up capital of RMB 50,000,000	100%	–	Discovery, development and commercialisation of innovative drugs
Shanghai JunTop Biosciences Co., Ltd.* (上海君拓生物醫藥科技有限公司)	The PRC 6 August 2021 Limited liability company	Registered capital of RMB 440,367,000 and paid-up capital of RMB 398,532,000	68.125%	–	Discovery, development and commercialisation of innovative drugs
Indirectly held:					
Beijing Union Biopharm Junshi Biosciences Co., Ltd.* (北京眾合君實生物醫藥科技有限公司)	The PRC 12 June 2016 Limited liability company	Registered capital of RMB25,000,000 and paid-up capital of RMB11,200,000	100%	100%	Discovery, development and commercialisation of innovative drugs

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34. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of operation/ establishment, date of incorporation and form of legal entity	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Company		Principal activities
			As at 31 December 2021	As at 31 December 2020	
Indirectly held: (continued)					
Suzhou Junao Medicine Co., Ltd.* (蘇州君奧精準醫學有限公司)	The PRC 10 January 2018 Limited liability company	Registered capital of RMB420,000,000 and paid-up capital of RMB48,442,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Suzhou Junshi Biotechnology Co., Ltd.* (蘇州君實生物工程有限公司)	The PRC 19 June 2018 Limited liability company	Registered capital of RMB200,000,000 and paid-up capital of RMB76,160,000	100%	100%	Discovery, development and commercialisation of innovative drugs
Suzhou Junyou Hospital Management Co., Ltd.* (蘇州君佑醫院管理有限公司)	The PRC 17 November 2020 Limited liability company	Registered capital of RMB50,000,000 and paid-up capital of RMB Nil	100%	100%	Inactive
Juntop Biomedical Technology (Hainan) Co., Ltd.* (君拓生物醫藥科技(海南)有限公司)	The PRC 31 December 2021 Limited liability company	Registered capital of RMB30,000,000 and paid-up capital of RMB Nil	68.125%	–	Inactive

* The English names are for identification purpose only.

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

34. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiary of the Company that has material non-controlling interests as at 31 December 2021 and 31 December 2020:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Shanghai JunTop Biosciences Co., Ltd. (上海君拓生物醫藥科技有限公司)	PRC	68.125%	–	(9,624)	–	371,282	–
Individually immaterial subsidiary with non-controlling interests				–	–	(3)	(3)
				(9,624)	–	371,279	(3)

Summarised financial information in respect of the Company's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations as at 31 December 2021.

JunTop Biosciences

	2021 RMB'000	2020 RMB'000
Current assets	1,167,538	N/A
Non-current assets	1,870	N/A
Current liabilities	(1,650)	N/A
Non-current liabilities	(2,950)	N/A
Equity attributable to owners of the Company	793,526	N/A
Non-controlling interests of JunTop Biosciences	371,282	N/A

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34. PARTICULARS OF SUBSIDIARIES (CONTINUED)

JunTop Biosciences (Continued)

	From 6 August to 31 December 2021 RMB'000	2020 RMB'000
Loss attributable to owners of the Company	**(20,568)**	N/A
Loss attributable to the non-controlling interests of JunTop Biosciences	**(9,624)**	N/A
Loss for the period	**(30,192)**	N/A
Dividends declared to non-controlling interests of JunTop Biosciences	**–**	N/A
Net cash outflow from operating activities	**(34,024)**	N/A
Net cash outflow from investing activities	**(24)**	N/A
Net cash inflow from financing activities	**1,194,848**	N/A
Net cash inflow	**1,160,800**	N/A

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35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged throughout the year.

The capital structure of the Group consists of debts, which includes bank borrowings, net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the new shares issues as well as the issue of new debts and redemption of existing debts.

36. FINANCIAL INSTRUMENTS

36a. Categories of financial instruments

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Financial assets		
Amortised cost	**4,853,831**	4,088,557
Financial assets at FVTPL	**1,027,108**	356,742
Financial liabilities		
Amortised cost	**1,710,079**	1,279,634

36b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, other financial assets, restricted bank deposits, bank balances and cash, trade and other payables, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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For the year ended December 31, 2021

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The Group has foreign currency bank balances and trade and other payables, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of certain significant foreign currency denominated monetary assets and liabilities other than the functional currency of the entity to which they related at the end of the reporting period are as follows:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Assets		
USD	**1,734,299**	608,851
HKD	**534,495**	11
Liabilities		
USD	**(22,449)**	(72,394)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in RMB against USD and HKD. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation, for a change in foreign currency rates of 5% for the whole year. A negative number below indicates an increase in loss where RMB strengthens 5% against USD and HKD. For a 5% weakening of RMB against USD and HKD, there would be an equal and opposite impact on loss for the year.

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Impact on loss for the year		
USD	**(64,194)**	(20,117)
HKD	**(20,044)**	–

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

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in related to fixed-rate bank borrowings (Note 25) and lease liabilities (Note 27).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate restricted bank deposits and bank balances (Note 23) and deposits for leasehold interests in land (Note 21). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Group currently does not have interest rate risk hedging policy. However, the directors of the Company closely monitor the exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Other income		
Financial assets at amortised cost	**30,979**	20,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Total interest expense for financial liabilities that are not measured at FVTPL is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Finance costs		
Financial liabilities at amortised cost	**16,053**	26,312

Sensitivity analysis

The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

(iii) Other price risk

The Group is exposed to equity price risk through its unlisted equity investments including in other financial assets (Note 22). The management of the Group monitors the price risk and will consider hedging the risk exposure should the need arises.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. The Group is exposed to equity price risk arising from financial asset designated as FVTOCI. If the prices of the respective equity investment had been changed based on the 5% higher/lower, the other comprehensive expense for the year ended 31 December 2021 would decrease/increase by RMB12,679,000, as a result of the changes in fair value of financial asset designated as FVTOCI.

For sensitivity analysis of investments in preference shares and unlisted equity investments, if the fair value of the respective investments had been 5% (2020: 5%) higher/lower, the loss for the year ended 31 December 2021 would decrease/increase by RMB30,916,000 (2020: decrease/increase by RMB13,986,000) as a result of the changes in fair value. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in Note 36.

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables, restricted bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets, except that the settlement of certain trade receivables are backed by bills issued by reputable financial institutions.

The Group determines the ECL on these items based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Restricted bank deposits and bank balances

Credit risk on restricted bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for restricted bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted bank deposits and bank balances is considered to be insignificant.

Trade receivables arising from contracts with customers

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed annually. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group only accept bills issued or guaranteed by reputable PRC bank if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from trade receivables backed by bank bills is insignificant. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the USA, which accounted for 97% (2020: 36%) and PRC accounted for 3% (2020: 64%) of the total trade receivables as at 31 December 2021. In addition, the Group has concentration of credit risk as 97% (2020: 53%) of the total trade receivables was due from the Group's licensing and service income for two of the five largest customers. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

In addition, the Group performs impairment assessment under ECL model on trade receivable balances not backed by bank bills individually and based on provision matrix. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables not backed by bank bills are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. No impairment is recognised during the year (2020: impairment reversal of RMB89,000). Details of the quantitative disclosures are set out below in this note.

In determining the ECL for trade receivables backed by bank bills, the management of the Group considers the probability of default is negligible on the basis of high-credit-rating of the bank issuing the bills, and accordingly, no loss allowance made in the consolidated financial statements.

Deposits and other receivables

For deposits and other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2021 and 2020, the Group assessed the ECL for other receivables and deposits and reversed impairment of RMB342,000 (2020: recognised impairment of RMB344,000) during the year.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Internal credit rating	Description	Trade receivables	Other financial assets
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
					2021 RMB'000	2020 RMB'000
Financial assets at amortised cost						
Restricted bank deposits	*23*	AA	Low risk	12m ECL	**2,033**	–
Bank balances	*23*	AA	Low risk	12m ECL	**3,504,605**	3,384,998
Deposits and other receivables	*21*	N/A	Low risk	12m ECL	**54,850**	41,168
Trade receivables	*20*					
– not backed by bank bills		N/A	*(Note)*	Lifetime ECL (provision matrix)	**11,971**	253,512
– not backed by bank bills		N/A	Low risk	Lifetime ECL (individually assessed)	**1,273,272**	335,695
– backed by bank bills		N/A	Low risk	Lifetime ECL (individually assessed)	**7,690**	74,116
					4,854,421	4,089,489

Note: For trade receivables not backed by bank bills, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating and past due status.

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation of sales of pharmaceutical products. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

Gross carrying amount

	2021		2020	
	Average loss rate	Trade receivables not backed by bank bills RMB'000	Average loss rate	Trade receivables not backed by bank bills RMB'000
Current (not past due)	0.01%-0.1%	11,971	0.01% – 0.1%	253,512
1-30 days past due	N/A	–	N/A	–
31-60 days past due	N/A	–	N/A	–
		11,971		253,512

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the years ended 31 December 2021 and 31 December 2020, the directors consider that the ECL allowance of the trade receivables not backed by bank bills with significant balances that were assessed individually is insignificant. The Group did not provide impairment allowance for trade receivables not backed by bank bills (2020: reversal of impairment allowance RMB89,000) based on the provision matrix.

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Gross carrying amount (Continued)

The following table shows the reconciliation of loss, allowances that has been recognised for trade receivables not backed by bank bills under the simplified approach and deposits and other receivables under 12m ECL approach.

	Trade receivables not backed by bank bills (not credit-impaired) RMB'000	Deposits and other receivables (not credit-impaired) RMB'000	Total RMB'000
As at 1 January 2020	89	588	677
Changes due to financial instruments recognised as at 1 January 2020:			
– Impairment losses reversed	(89)	(326)	(415)
– Impairment losses recognised	–	670	670
As at 31 December 2020	–	932	932
Changes due to financial instruments recognised as at 1 January 2021:			
– Impairment losses reversed	–	(342)	(342)
As at 31 December 2021	**–**	**590**	**590**

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows. the directors of the Group monitor the utilisation of bank borrowings and ensure compliance with loan covenants.

The Group relied on borrowings and the issuance of shares as a significant source of liquidity. Details of which are set out in Note 25 and Note 29, respectively.

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

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

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36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity table

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	>5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021								
Non-derivative financial liabilities								
Trade and other payables	–	1,209,483	–	–	–	–	1,209,483	1,209,483
Borrowings	3.98	9,843	19,398	48,330	261,068	248,628	587,267	500,596
Lease liabilities	5.22	8,054	26,598	36,791	93,360	–	164,803	127,599
		1,227,380	45,996	85,121	354,428	248,628	1,961,553	1,837,678
At 31 December 2020								
Non-derivative financial liabilities								
Trade and other payables	–	485,066	–	–	–	–	485,066	485,066
Borrowings	5.23	11,336	281,416	582,629	–	–	875,381	794,568
Lease liabilities	5.22	8,503	23,007	17,770	21,887	–	71,167	56,211
		504,905	304,423	600,399	21,887	–	1,431,614	1,335,845

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

	Fair value at				
Financial assets	31 December 2021 RMB'000	31 December 2020 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Funds	–	17	Level 2	Fair value determined based on fair value of underlying debt investments using discounted cash flow method based on the return from the underlying investments and quoted market price of underlying equity investments	N/A
Warrant	20,000	–	Level 2	Recent transaction price	N/A
Unlisted equity investment	1,952	1,952	Level 3	Market comparison approach – in this approach, fair value was determined with reference to Enterprise Value-to-Sales multiple ("EV/S multiple").	Discount rate of 27% (2020: 27%) and EV/S multiple of 8.69 (2020: 8.69), taking into account management's experience and knowledge of market conditions
Unlisted equity investment	6,802	3,772	Level 3	Market comparison approach – in this approach, fair value was determined with reference to Price-to-cumulative Research & Development Expenses multiple ("P/R&D multiple").	Discount rate of 27% (2020: 27%) and P/R&D multiple of 2.80 (2020: 2.80), taking into account management's experience and knowledge of market conditions
2021: Investment in preference shares *(Note a)*	181,888	89,373	Level 3	2021: Back-solve from recent transaction price Market multiple method.	2021: Recent transaction price/ Redemption/Liquidation/IPO probability/risk – free rate/expected volatility/ liquidity discount
2020: Unlisted equity investment				2020: Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple	2020: Discount rate of 26% *(Note b)* and P/R&D multiple of 17.52 *(Note c)*, taking into account management's experience and knowledge of market conditions

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36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

	Fair value at				
Financial assets	**31 December 2021 RMB'000**	31 December 2020 RMB'000	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable inputs**
Unlisted equity investment	**37,910**	37,910	Level 2	Recent transaction price	N/A
Investments in preference shares	**146,886**	–	Level 2	Recent transaction price	N/A
Investments in preference shares	**141,424**	81,444	2021: Level 3 (2020: Level 2)	2021: Back-solve from recent transaction price Market multiple method. 2020: Recent transaction price	2021: Recent transaction price/ Redemption/Liquidation/IPO probability/risk – free rate/expected volatility/liquidity discount 2020: N/A
Investments in preference shares	**81,453**	65,244	2021: Level 3 (2020: Level 2)	2021: Market comparison approach – in this approach, fair value was determined with reference to P/R&D multiple 2020: Recent transaction price	2021: Discount rate of 25% and P/R&D multiple of 5.39, taking into account management's experience and knowledge of market conditions 2020: N/A
Investment in pre Unlisted equity investments in partnership	**155,218**	77,030	Level 3	The fair value is determined based on the share of fair value of the underlying net assets held by the investee	The fair value of the underlying net assets of the investee *(Note d)*
Listed equity investment	**253,575**	–	Level 1	Quoted bid prices in an active market	N/A
Total	**1,027,108**	356,742			

There were no transfers between Level 1 and Level 2 during both years. No sensitivity analysis is performed for the two Level 3 unlisted equity investments as the directors of the Company consider that the exposure is insignificant.

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

Notes:

a. During the year ended 31 December 2021, the Group's investment in the unlisted equity investment was re-designated as investment in preference shares.

b. A slight increase in the discount rate used in isolation would result in a slight increase in the fair value measurement of unlisted equity investment, and vice versa. If the discount rate was 0.5% higher/lower to 26.5%/25.5% while holding all other variables constant, the carrying amount of the unlisted equity investment would decrease by RMB604,000 or increase by RMB604,000 as at 31 December 2020.

c. A slight increase in the P/R&D multiple used in isolation would result in a slight increase in the fair value measurement of unlisted equity investment, and vice versa. If the P/R&D multiple was 5% higher/lower to 18.40/16.64 while all other variables constant, the carrying amount of the unlisted equity investment would increase by RMB4,469,000 or decrease by RMB4,469,000 as at 31 December 2020.

d. A slight increase in the fair value of the underlying net assets of the investee would result in a slight increase in the fair value measurement of unlisted equity investment in partnership. If the fair value of the underlying net assets of the investee increase/decrease by 5%, the carrying amount of the unlisted equity investment in partnership would increase or decrease by RMB7,761,000 as at 31 December 2021 (2020: RMB3,852,000).

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36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

(ii) Reconciliation of Level 3 fair value measurements

	Unlisted equity investments RMB'000	Unlisted equity investment in partnership RMB'000	Investments in preference shares RMB'000	Total RMB'000
At 1 January 2020	18,000	–	–	18,000
Transfer into Level 3 due to change of valuation technique *(Note)*	51,345	–	–	51,345
Purchased	–	60,000	–	60,000
Disposal	(106)	–	–	(106)
Change in fair value credited to profit or loss	25,858	17,030	–	42,888
At 31 December 2020 and 1 January 2021	95,097	77,030	–	172,127
Transfer into Level 3 due to change of valuation technique *(Note)*	–	–	146,688	146,688
Re-designation due to change of nature of investment	(89,373)	–	89,373	–
Purchased	3,030	62,010	–	65,040
Change in fair value credited to profit or loss	–	16,178	168,704	184,882
At 31 December 2021	**8,754**	**155,218**	**404,765**	**568,737**

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

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of the counterparty.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities of the Group recorded at amortised cost in the consolidated financial statements approximate to their fair value based on the discounted cash flow analysis.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000 *(Note 27)*	**Borrowings** RMB'000 *(Note 25)*	**Payable for transaction costs for the issue of H shares** RMB'000 *(Note 24)*	**Payable for accrued issue costs** RMB'000 *(Note 24)*	**Total** RMB'000
At 1 January 2020	41,178	821,787	–	13,565	876,530
Financing cash flows	(25,348)	(70,334)	–	(337,730)	(433,412)
Non-cash transactions:					
– Finance costs *(Note)*	3,079	43,115	–	–	46,194
– Issue costs accrual	–	–	–	324,165	324,165
– New leases entered	37,302	–	–	–	37,302
At 31 December 2020	56,211	794,568	–	–	850,779
Financing cash flows	(39,739)	(310,025)	(29,677)	–	(379,441)
Non-cash transactions:					
– Finance costs	5,780	16,053	–	–	21,833
– Transaction costs payable	–	–	30,434	–	30,434
– New lease entered	105,347	–	–	–	105,347
At 31 December 2021	**127,599**	**500,596**	**757**	**–**	**628,952**

Note: The finance costs include the interest expense of RMB16,803,000 capitalised as the cost of construction in progress for the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

38. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leased properties for 2 to 3 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB105,347,000 and RMB105,347,000 (2020: RMB37,302,000 and RMB37,302,000) respectively.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	**243,624**	220,642
Right-of-use assets	**149,982**	34,660
Investments in subsidiaries	**2,927,129**	1,875,400
Intangible assets	**36,475**	27,962
Interests in joint ventures	**16,056**	1,021
Interests in associates	**441,736**	65,150
Other assets, prepayments and other receivables	**213,242**	42,494
Amounts due from subsidiaries	**719,951**	–
Other financial assets	**964,254**	343,480
	5,712,449	2,610,809

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For the year ended December 31, 2021

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

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Current assets		
Inventories	**27,249**	41,041
Trade receivables	**1,292,086**	596,481
Other assets, prepayments and other receivables	**423,716**	237,128
Amounts due from subsidiaries	**672,660**	782,571
Bank balances and cash	**2,004,602**	2,641,560
	4,420,313	4,298,781
Current liabilities		
Trade and other payables	**1,557,717**	954,387
Amounts due to subsidiaries	**519,239**	161,579
Lease liabilities	**23,692**	18,077
Tax payables	**60,361**	–
	2,161,009	1,134,043
Net current assets	**2,259,304**	3,164,738
Total assets less current liabilities	**7,971,753**	5,775,547
Non-current liabilities		
Deferred income	**8,022**	30,961
Lease liabilities	**34,922**	18,600
	42,944	49,561
Net assets	**7,928,809**	5,725,986
Capital and reserves		
Share capital	**910,757**	872,496
Reserves	**7,018,052**	4,853,490
Total equity	**7,928,809**	5,725,986

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For the year ended December 31, 2021

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

Movement in the Company's reserves

	Share premium RMB'000	RSU reserves RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	4,130,575	–	37,338	–	(2,174,010)	1,993,903
Loss for the year	–	–	–	–	(1,592,375)	(1,592,375)
A shares issued upon listing on the STAR Market	4,748,585	–	–	–	–	4,748,585
Transaction costs attributable to issue of A shares	(338,737)	–	–	–	–	(338,737)
Recognition of equity-settled share-based payment expenses – share options	–	–	6,549	–	–	6,549
Exercise of share options	21,110	–	(11,110)	–	–	10,000
Recognition of equity-settled share-based payment expenses – RSU	–	25,565	–	–	–	25,565
At 31 December 2020	8,561,533	25,565	32,777	–	(3,766,385)	4,853,490
Loss for the year	–	–	–	–	(131,132)	(131,132)
Other comprehensive income for the year	–	–	–	19,454	–	19,454
Total comprehensive expense for the year	–	–	–	19,454	(131,132)	(111,678)
H shares issued	2,097,832	–	–	–	–	2,097,832
Transaction costs attributable to issue of H shares	(30,434)	–	–	–	–	(30,434)
Recognition of equity-settled share-based payment expenses – share options	–	–	2,499	–	–	2,499
Recognition of equity-settled share-based payment expenses – RSU	–	192,309	–	–	–	192,309
Exercise of share options	30,242	–	(16,208)	–	–	14,034
At 31 December 2021	**10,659,173**	**217,874**	**19,068**	**19,454**	**(3,897,517)**	**7,018,052**

The difference between the share premium of the Group and the Company arise from a merge by absorption during the initial public offering of H shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. EVENTS AFTER THE REPORTING PERIOD

On 10 January 2022, Coherus has initiated the process to exercise one of the options as set out in Note 5 to develop, manufacture, commercialise another potential therapeutic product in the USA and Canada. Upon the exercise of the option, the Group subsequently received a non-refundable deposit amounting to USD35,000,000, the Group may receive remaining milestone payments up to an aggregate amount of USD255,000,000 before sales-based royalty.

On 7 March 2022, the board of directors passed the resolutions in relation to the proposed issuance of no more than 70,000,000 A shares to no more than 35 target subscribers for the proceeds expected to be no more than RMB3,980,000,000. As of the date of authorisation for issuance of these consolidated financial statements, the proposed issuance is subject to the approval from the shareholders, STAR Market of the Shanghai Stock Exchange and the approval of registration by the China Securities Regulatory Commission.

DEFINITIONS

2018 Convertible Bonds	innovative start-ups convertible bonds (創新創業可轉換公司債券) previously issued by the Company and listed and traded on the Shanghai Stock Exchange. All the 2018 Convertible Bonds have been fully redeemed by the Company in July 2019
2018 Pre-IPO Share Incentive Scheme	the Company's Pre-IPO Share Incentive Scheme approved and adopted by its Shareholders on 14 May 2018 (as amended with effect from 15 July 2020)
2020 Restricted A Share Incentive Scheme	the Company's 2020 Restricted A Share Incentive Scheme approved and adopted by its Shareholders at the 2020 third extraordinary general meeting, the 2020 second class meeting of A Shareholders and the 2020 second class meeting of H Shareholders held on 16 November 2020
A Share(s)	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in Renminbi and are listed on the STAR Market of the SSE
A Shareholder(s)	holder(s) of A Share(s)
AGM	annual general meeting of the Company
Articles of Association	articles of association of the Company
ASCO	the American Society of Clinical Oncology
AstraZeneca Pharmaceutical	AstraZeneca Pharmaceutical Co., Ltd.
Audit Committee	the audit committee of the Company
Beijing Eirene	Beijing Eirene Biotech Co., Ltd.* (北京恩瑞尼生物科技股份有限公司)
Beijing Tianshi	Beijing Tianshi Pharmaceutical Technology Co., Ltd.* (北京天實醫藥科技有限公司), a limited liability company established in the PRC, which is owned as to 50% by the Company
BLA	biologics license application
Board Diversity Policy	board diversity policy of the Company
Board of Supervisors	the Company's board of Supervisors

DEFINITIONS

Board or Board of Directors	the Company's board of Directors
BTD	Breakthrough Therapy Designation
CG Code	Corporate Governance Code in Appendix 14 of the Listing Rules
CGMP	current good manufacturing practice
Coherus	Coherus BioSciences, Inc.
Coherus Territory	the United States and Canada
Companies Ordinance	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong
Company or Junshi or Junshi Biosciences	Shanghai Junshi Biosciences Co., Ltd.* (上海君實生物醫藥科技股份有限公司)
COVID-19	coronavirus pandemic
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
Director(s)	director(s) of the Company
Director Nomination Policy	the Company's policy in respect of the nomination of Directors
ESCC	esophageal squamous cell carcinoma
ESG	environmental, social and governance
etesevimab and bamlanivimab administered together	1,400 mg of etesevimab and 700 mg of bamlanivimab (LY-CoV555) administered together
EUA	emergency use authorization
Exclusive License and Commercialization Agreement	the exclusive license and commercialization agreement dated 1 February 2021 and entered into between the Company and Coherus
Executive Director(s)	executive director(s) of the Company
FDA	U.S. Food and Drug Administration
Global Offering	as defined in the Prospectus
GMP	Good Manufacturing Practice

DEFINITIONS

Grantee(s)	person(s) being granted Pre-IPO Option(s) under the 2018 Pre-IPO Share Incentive Scheme and the Share Incentive Agreements
Group	the Company and its subsidiaries
H Share Listing	the listing of the Company's H Shares on the Hong Kong Stock Exchange on 24 December 2018
H Share(s)	overseas-listed share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and are listed on Hong Kong Stock Exchange
H Shareholder(s)	holder(s) of H Share(s)
Hainan JunTop	JunTop Biosciences (Hainan) Co., Ltd.* (君拓生物醫藥科技（海南）有限公司), a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company
HKD or HK$	Hong Kong dollars, the official currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Listing Rules or Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Hong Kong Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
IDMC	Independent Data Monitoring Committee
IFRS	International Financial Reporting Standards
IMCAS	Institute of Microbiology, Chinese Academy of Sciences* (中國科學院微生物研究所)
IND	Investigational New Drug
Independent Non-executive Director(s)	independent non-executive directors of the Company
Jiangsu Union Biopharm	Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd.* (江蘇眾合醫藥科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company

DEFINITIONS

Junshi Biotechnology	Shanghai Junshi Biotechnology Co., Ltd.* (上海君實生物工程有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
JunTop Biosciences	Shanghai JunTop Biosciences Co., Ltd.* (上海君拓生物醫藥科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
Lilly	Eli Lilly and Company
Lingang Production Base	the production base of Shanghai Junshi Biotechnology Co., Ltd. in Lingang, Shanghai
Macau	Macau Special Administrative Region of the PRC
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules
NDA	New Drug Application
NEEQ	National Equities Exchange and Quotations
NMPA	National Medical Products Administration of China
Nomination Committee	the nomination committee of the Company
Non-executive Director(s)	non-executive director(s) of the Company
NPC	nasopharyngeal carcinoma
NRDL	National Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance* (《國家基本醫療保險、工傷保險和生育保險藥品目錄》)
NSCLC	non-small cell lung cancer
OS	overall survival
Over-allotment Option	as defined in the Prospectus
PDUFA	Prescription Drug User Fee Act
PFS	progression free survival
PRC or China	the People's Republic of China

DEFINITIONS

PRC Company Law	the Company Law of the PRC* (《中華人民共和國公司法》)
PRC GAAP	generally accepted accounting principles in the PRC
Pre-IPO Options	option(s) granted by the Company to certain employees as share incentive under the 2018 Pre-IPO Share Incentive Scheme and the Share Incentive Agreements
Prospectus	the prospectus of the Company dated 11 December 2018
Qianhai Junshi	Shenzhen Qianhai Junshi Hospital Investment Management Co., Ltd.* (深圳前海君醫院投資管理有限公司), a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company
R&D	research and development
Remuneration and Appraisal Committee	the remuneration and appraisal committee of the Company
Reporting Period	the year ended 31 December 2021
Restricted Share(s)	A Share(s) to be granted by the Company to participants on such conditions stipulated under the 2020 Restricted A Share Incentive Scheme, which are subject to the attribution conditions stipulated under the 2020 Restricted A Share Incentive Scheme and can only be attributed and transferred after satisfaction of the attribution conditions
Risen Biosciences	Risen (Suzhou) Biosciences Co., Ltd.* (潤佳(蘇州)醫藥科技有限公司)
RMB	Renminbi
SFO	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
Shanghai Stock Exchange or SSE	The Shanghai Stock Exchange
Shanghai Union Biopharm	Shanghai Union Biopharm Biosciences Co., Ltd.* (上海眾合醫藥科技股份有限公司), a limited liability company established in the PRC and merged with the Company by consolidation in June 2016
Share(s)	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Shares and A Shares

DEFINITIONS

Share Incentive Agreement(s)	contract(s) entered into between the Company and the respective grantee(s) in March 2018 in relation to the grant of the Pre-IPO Option(s) (as amended and supplemented from time to time)
Shareholder(s)	holder(s) of the Share(s)
sNDA	supplemental new drug application
STAR Market	the STAR Market of the Shanghai Stock Exchange
Strategic Committee	the strategic committee of the Company
Supervisors	supervisors of the Company
Suzhou Junao	Suzhou Junao Medicine Co., Ltd.* (蘇州君奧精準醫學有限公司), a limited liability company established in the PRC, and a wholly-owned subsidiary of the Company
Suzhou Junmeng	Suzhou Junmeng Biopharm Co., Ltd.* (蘇州君盟生物醫藥科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
Suzhou TopAlliance	Suzhou TopAlliance Biosciences Co., Ltd.* (蘇州君實生物醫藥科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
Suzhou Union	Suzhou Union Biopharm Co., Ltd.* (蘇州眾合生物醫藥科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
Taizhou Junshi	Taizhou Junshi Biosciences Co., Ltd.* (泰州君實生物醫藥科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
Suzhou Junshi Biotechnology	Suzhou Junshi Biotechnology Co., Ltd.* (蘇州君實生物工程有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company

DEFINITIONS

TopAlliance	TopAlliance Biosciences Inc., a corporation established in the United States and a wholly-owned subsidiary of the Company
U.S. or United States	the United States of America
USD or US$	United States dollars
Vigonvita	Suzhou Vigonvita Biomedical Co., Ltd.* (蘇州旺山旺水生物醫藥有限公司)
Vinnerna Biosciences	Shanghai Vinnerna Biosciences Co., Ltd.* (上海旺實生物醫藥科技有限公司), a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company
Wigen Biomedicine	Wigen Biomedicine Technology (Shanghai) Co., Ltd.
%	per cent

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

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

* *For identification purpose only*