



**药明巨诺**  
*JW Therapeutics*

**JW (Cayman) Therapeutics Co. Ltd**

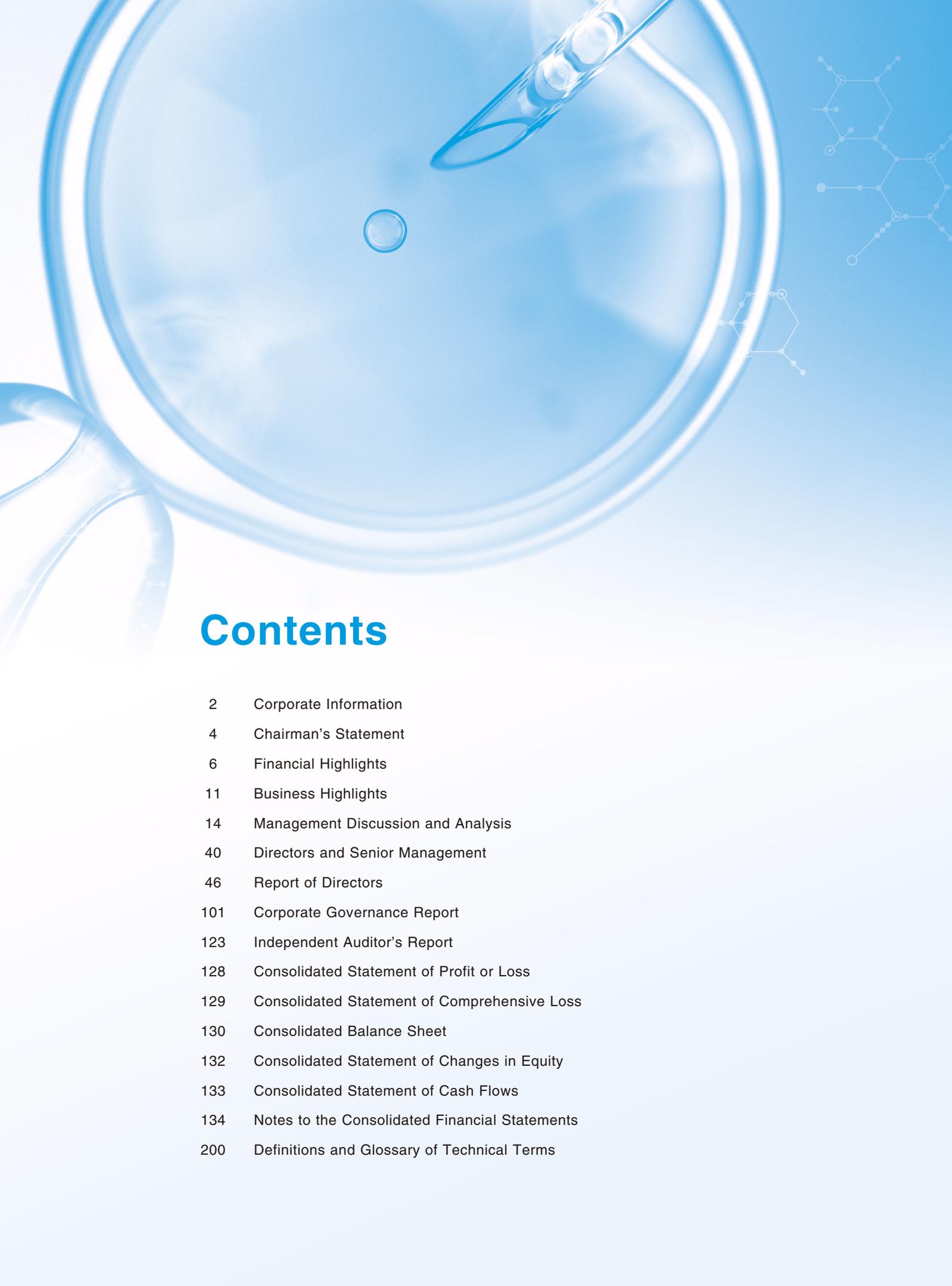
**藥明巨諾(開曼)有限公司\***

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2126

**ANNUAL  
REPORT**

**2023**



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Director

Dr. Yiping James Li (*Chairman*)

### Non-executive Directors

Ms. Xing Gao (高星)

Dr. Sungwon Song<sup>(1)</sup>

Dr. Cheng Liu

### Independent Non-executive Directors

Mr. Yiu Leung Andy Cheung (張耀樑)

Mr. Kin Cheong Kelvin Ho (何建昌)

Dr. Debra Yu

Dr. Krishnan Viswanadhan<sup>(2)</sup>

Dr. Ann Li Lee<sup>(3)</sup>

## AUDIT COMMITTEE

Mr. Yiu Leung Andy Cheung (張耀樑) (*Chairman*)

Ms. Xing Gao (高星)

Mr. Kin Cheong Kelvin Ho (何建昌)

## REMUNERATION COMMITTEE

Dr. Ann Li Lee (*Chairman*)<sup>(3)</sup>

Mr. Kin Cheong Kelvin Ho (何建昌)<sup>(4)</sup>

Dr. Debra Yu

Dr. Sungwon Song<sup>(1)</sup>

## NOMINATION COMMITTEE

Dr. Yiping James Li (*Chairman*)

Dr. Krishnan Viswanadhan

Mr. Yiu Leung Andy Cheung (張耀樑)

Dr. Debra Yu

## BUSINESS DEVELOPMENT AND STRATEGY COMMITTEE

Dr. Debra Yu (*Co-chairperson*)<sup>(6)</sup>

Dr. Krishnan Viswanadhan (*Co-chairperson*)<sup>(2)</sup>

Dr. Yiping James Li<sup>(7)</sup>

## COMPANY SECRETARY

Ms. Ka Man Ng (吳嘉雯)

## AUTHORIZED REPRESENTATIVES

Dr. Yiping James Li

Ms. Ka Man Ng (吳嘉雯)

## HONG KONG LEGAL ADVISORS

Fangda Partners

26/F, One Exchange Square

8 Connaught Place

Central

Hong Kong

## REGISTERED OFFICE

The offices of Maples Corporate Services Limited

PO Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

1. Mr. Jinyin Wang has resigned as a non-executive Director with effect from August 29, 2023 and Dr. Sungwon Song has been appointed as a non-executive Director and a member of the Remuneration Committee with effect from August 29, 2023.
2. Dr. Krishnan Viswanadhan has been redesignated from non-executive Director to independent non-executive Director and appointed as the co-chairperson of the Business Development and Strategy Committee with effect from August 29, 2023.
3. Dr. Ann Li Lee has been redesignated from non-executive Director to independent non-executive Director and appointed as the chairman of the Remuneration Committee with effect from August 29, 2023.
4. Mr. Kin Cheong Kelvin Ho ceased to be a member of the Nomination Committee and has been appointed as a member of the Remuneration Committee with effect from August 29, 2023.
5. Mr. Yiu Leung Andy Cheung ceased to be the chairman of the Remuneration Committee with effect from August 29, 2023.
6. Dr. Debra Yu has been appointed as the co-chairperson of the Business Development and Strategy Committee with effect from August 29, 2023.
7. Dr. Yiping James Li has been appointed as a member of the Business Development and Strategy Committee with effect from August 29, 2023.

## HEADQUARTERS IN THE PRC

5F, Building B  
No. 699 Zhong Ke Road  
Pudong New District, Shanghai  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square  
1 Matheson Street, Causeway Bay  
Hong Kong

## PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited  
PO Box 1093, Boundary Hall, Cricket Square  
Grand Cayman, KY1-1102  
Cayman Islands

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services  
Limited  
Shops 1712–1716  
17th Floor Hopewell Centre  
183 Queen's Road East, Wanchai  
Hong Kong

## PRINCIPAL BANKER

China Construction Bank  
Shanghai Free Trade Zone Branch  
No. 17 Jiafeng Road  
Shanghai  
PRC

## AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountant*  
*Registered Public Interest Entity Auditor*  
22/F Prince's Building  
Central, Hong Kong

## STOCK CODE

2126

## COMPANY'S WEBSITE

[www.jwtherapeutics.com](http://www.jwtherapeutics.com)

## Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the 2023 annual report of the Group.

Successful commercialization of Carteyva® continued in 2023, with a 19.3% year-on-year increase in sales accompanied by substantial further growth in prescriptions and patient infusions. We also sustained momentum on execution of our cost reduction plans in 2023, which enabled us to further reduce cost of goods sold per batch as compared to 2022, and to increase our gross profit margin from 40.3% in 2022 to 50.7% in 2023. In addition, our consistent efforts to improve affordability of Carteyva® for patients in China yielded considerable further growth in the number of commercial insurance products and local governmental complementary medical insurance programs in which Carteyva® is listed. As we drive commercialization of Carteyva®, our commitment to creating an entirely new ecosystem and to shaping the environment for cell therapy products in China is unwavering.

Our robust and differentiated cell-based immunotherapy pipeline is based on a risk-balanced approach that has shown clear benefit in the field of cell therapies. In 2023 and through the date of this annual report, we continued to execute our strategy of developing Carteyva® as a treatment for new indications and earlier lines of treatment. For example, in March 2023, the NMPA approved our IND application relating to Carteyva® as a second-line therapy for transplant-ineligible patients with r/r LBCL, and in January 2024, the NMPA accepted for review our sNDA relating to Carteyva® as a treatment for adult patients with r/r MCL. Moreover, we continued to progress relma-cel as a potential treatment for autoimmune diseases, obtaining NMPA approval of our IND application relating to relma-cel as a treatment for SLE in April 2023. Autoimmune diseases are a new and critical part of our pipeline strategy.

We are dedicating significant resources to discovery and pre-clinical research under the guidance of Dr. Shaun Paul Cordoba, our chief scientific officer, with the goal of developing new CAR-T products to which we will own global rights. Our new pipeline candidates target hematological cancers, solid tumors and autoimmune diseases, with “Armor” elements designed in-house to enhance their efficacy and durability.

Our manufacturing operations also continued to perform at a high level. In 2023, we once again maintained a manufacturing success rate of 98% for Carteyva®, which remains as close as ever to the very high level that we originally attained in our registrational clinical trial, and we gained additional approvals for manufacturing capacity expansion, enabling us to meet our manufacturing needs for both commercial and clinical supplies.

With respect to Environmental, Social and Governance (“**ESG**”) concerns, we have adhered to the sustainable development concept in our operation and strategy and maintained our comprehensive quality control mechanism as we develop breakthrough cell-based immunotherapies to bring hope to patients. We remain steadfastly committed to providing a safe, healthy, innovative and diverse & inclusive working environment for our employees, and to implementing measures for environmental protection and resource conservation. We will sustain our constant efforts to create value for our employees, Shareholders and the society.

Looking forward, we remain as confident as ever that the Company is well positioned to capitalize on the anticipated strong growth in the market for cell therapies in China in the coming years, leveraging our significant first-mover advantage in hematological cancers in China; our comprehensive differentiated cell therapy pipeline including new candidates for treatment of autoimmune diseases and solid tumors; our fully integrated end-to-end cell therapy development platform; and our experienced and driven management team. We intend to continue 1) driving growth in sales of Carteyva®; 2) developing Carteyva® for new indications and earlier lines of treatment; 3) developing our growing pipeline of candidates for treatment of autoimmune diseases and solid tumors; 4) enhancing our manufacturing capability and reducing our costs through innovation and scale; and 5) growing our business with increasing emphasis on our strengthened in-house discovery and pre-clinical research capabilities.

We remain fully dedicated to our mission of bringing breakthrough and quality cell immunotherapy products and the hope of a cure to patients in China and worldwide, and to leading the healthy and standardized development of China's cell immunotherapy industry. On behalf of the entire Board of Directors, I would like to thank all of the Company's Shareholders and business partners as well as the Company's employees and management team for their continued devotion to our Company's mission.

**Dr. Yiping James Li**

*Chairman and Chief Executive Officer*

# Financial Highlights

## IFRS MEASURE

	Year ended December 31,	
	2023 RMB'000 (Audited)	2022 RMB'000 (Audited)
Revenue	173,856	145,702
Cost of sales	(85,637)	(86,946)
Gross profit	88,219	58,756
Selling expense	(113,196)	(190,877)
General and administrative expenses	(140,048)	(179,763)
Research and development expenses	(413,616)	(407,818)
Other income	8,249	23,380
Other losses, net	(219,215)	(159,561)
<b>Operating loss</b>	<b>(789,607)</b>	<b>(855,883)</b>
Finance income	34,026	16,535
Finance costs	(12,415)	(6,787)
Finance income — net	21,611	9,748
<b>Loss before income tax</b>	<b>(767,996)</b>	<b>(846,135)</b>
Income tax expense	—	—
<b>Loss for the year</b>	<b>(767,996)</b>	<b>(846,135)</b>
<b>Other comprehensive income:</b> <i>Items that will not be reclassified to profit or loss</i>		
— Exchange differences on translation	62,558	326,966
Other comprehensive income for the year, net of tax	62,558	326,966
<b>Total comprehensive loss for the year</b>	<b>(705,438)</b>	<b>(519,169)</b>
<b>Non-IFRS measure:</b> <b>Adjusted loss for the year</b>	<b>(514,499)</b>	<b>(605,093)</b>

- **Revenue** was RMB173.9 million for the year ended December 31, 2023, representing an increase of 19.3% from RMB145.7 million for the year ended December 31, 2022. This growth was attributed to the ongoing commercialization of our anti-CD19 autologous chimeric antigen receptor T cell (“**CAR-T**”) immunotherapy product, Carteyva® (relmacabtagene autoleucel (“**relma-cel**”), R&D code: JWCAR029). Carteyva® was approved for treating adult patients with relapsed or refractory (“**r/r**”) large B-cell lymphoma (“**LBCL**”) and r/r follicular lymphoma (“**FL**”). As the market continues to evolve, we anticipate a sustained increase in revenue from the sales of Carteyva®, which has a superior product profile that could bring breakthrough value to patients, and additional indications are expected to be approved.
- **Gross profit** was RMB88.2 million for the year ended December 31, 2023, representing an increase of 50.1% from RMB58.8 million for the year ended December 31, 2022. Gross profit margin of sales was 50.7% for the year ended December 31, 2023, representing an increase from 40.3% for the year ended December 31, 2022. The improvement was primarily due to the implementation of our cost reduction plan and achievement of economies of scale through treatment of more patients with Carteyva®.
- **Selling expenses** amounted to RMB113.2 million for the year ended December 31, 2023, representing a decrease of 40.7% compared to RMB190.9 million for the year ended December 31, 2022. This decrease was primarily due to reduced employee benefit expenses which resulted from a streamlined commercial workforce that aimed at operating more efficiently to support the commercialization of Carteyva®. To a lesser extent, the decrease resulted from reduced business promotion fees and professional service fees.
- **General and administrative expenses** amounted to RMB140.0 million for the year ended December 31, 2023, representing a decrease of 22.1% from RMB179.8 million for the year ended December 31, 2022, primarily attributable to a decrease in employee benefit expenses and professional service fees.
- **Research and development (“R&D”) expenses** amounted to RMB413.6 million for the year ended December 31, 2023, representing an increase of 1.4% from RMB407.8 million for the year ended December 31, 2022, primarily attributable to: (i) increased testing and clinical fees and R&D materials which resulted from pre-clinical research activities and different phases of clinical trials; and (ii) increased depreciation and amortization which principally resulted from our new vector manufacturing facility in Suzhou being put into use in the second half of 2022. The effects of the foregoing factors were partially offset by decreased employee benefit expenses.

## Financial Highlights

- **Other losses, net** amounted to RMB219.2 million for the year ended December 31, 2023, as compared to RMB159.6 million for the year ended December 31, 2022. The increase was in part attributable to the impairment of license of RMB181.2 million related to product JWATM204/214 based on an adjustment noted in the valuation report prepared by an independent valuer, which took into account a variety of factors including the level of complexity of R&D pathways in the solid tumor field, the time and resources that might be required in advancing in-depth analysis with clinical data, and the overall R&D investment efforts required to work toward commercialization. The Company estimates that these factors may eventually result in an increase in the level of R&D efforts and other resources required and may affect the possibility of success, gross margin and pre-tax discount rate, which gave rise to a decline in the recoverable amount of the cash generating unit and caused the recognition of impairment loss. The effect of the license impairment was partially offset by a decrease of approximately RMB121.2 million in net foreign exchange loss due to milder weakening of the Renminbi (“**RMB**”) against the U.S. dollar (“**USD**”) and the HK dollar (“**HKD**”) in 2023 compared with 2022. Net foreign exchange loss mainly arose from the unrealized foreign exchange loss as a result of the continuous weakening of RMB against USD and HKD when exchanging from the transactional currency (RMB) to the functional currencies (USD and HKD) for our offshore companies within the Group.
- **Loss for the year** was RMB768.0 million for the year ended December 31, 2023, as compared to RMB846.1 million for the year ended December 31, 2022. The decrease was primarily attributable to: (i) increased revenue and gross profit generated from sales of Carteyva®; (ii) decreased selling expenses and general and administrative expenses resulting from further improved operation efficiency in the Reporting Period; (iii) decreased net foreign exchange loss due to milder weakening of RMB against USD and HKD in 2023 compared with 2022; and (iv) increased net finance income due to effective cash management. The effect of the factors mentioned above were partially offset by (i) provision for the impairment of license related to product JWATM204/214 based on an adjustment noted in the valuation report prepared by an independent valuer, which took into account a variety of factors including the level of complexity of R&D pathways in the solid tumor field, the time and resources that might be required in advancing in-depth analysis with clinical data, and the overall R&D investment efforts required to work toward commercialization. The Company estimates that these factors may eventually result in an increase in the level of R&D efforts and other resources required and may affect the possibility of success, gross margin and pre-tax discount rate, which gave rise to a decline in the recoverable amount of the cash generating unit and caused the recognition of impairment loss; and (ii) higher research and development expenses resulting from the expansion of various research and development initiatives.

- **Cash and cash equivalents** amounted to RMB1,005.9 million as at December 31, 2023, representing a net cash outflow of RMB377.4 million for the year ended December 31, 2023 compared to RMB451.1 million for the year ended December 31, 2022.

## For the year ended December 31,

	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Operating results</b>					
Revenue	—	—	30,797	145,702	<b>173,856</b>
Cost of sales	—	—	21,752	86,946	<b>85,637</b>
Gross profit	—	—	9,045	58,756	<b>88,219</b>
General and administrative expenses	72,892	231,294	201,518	179,763	<b>140,048</b>
Research and development expenses	136,107	225,215	414,397	407,818	<b>413,616</b>
Selling expenses	—	13,268	170,732	190,877	<b>113,196</b>
Other income	5,483	1,322	6,444	23,380	<b>8,249</b>
Other gains/(losses), net	(1,165)	27,617	12,075	(159,561)	<b>(219,215)</b>
<b>Loss for the year</b>	<b>(633,257)</b>	<b>(1,663,803)</b>	<b>(702,328)</b>	<b>(846,135)</b>	<b>(767,996)</b>
Loss per share					
Basic and diluted (RMB Yuan)	(9.74)	(12.61)	(1.76)	(2.06)	<b>(1.87)</b>

## As at December 31,

	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial position</b>					
Total current assets	261,340	2,647,359	1,895,040	1,485,168	<b>1,067,484</b>
Total non-current assets	407,279	1,132,133	1,221,566	1,306,179	<b>1,078,613</b>
<b>Total assets</b>	<b>668,619</b>	<b>3,779,492</b>	<b>3,116,606</b>	<b>2,791,347</b>	<b>2,146,097</b>
Total current liabilities	122,817	237,045	198,900	310,835	<b>264,469</b>
Total non-current liabilities	1,488,141	112,712	126,849	126,228	<b>197,790</b>
<b>Total liabilities</b>	<b>1,610,958</b>	<b>349,757</b>	<b>325,749</b>	<b>437,063</b>	<b>462,259</b>
<b>Net current assets/(liabilities)</b>	<b>138,523</b>	<b>2,410,314</b>	<b>1,696,140</b>	<b>1,174,333</b>	<b>803,015</b>
<b>Total equity/(deficit)</b>	<b>(942,339)</b>	<b>3,429,735</b>	<b>2,790,857</b>	<b>2,354,284</b>	<b>1,683,838</b>

### NON-IFRS MEASURE

To supplement the Group's consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted loss<sup>1</sup> for the year as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that these adjusted measures provide useful information to Shareholders and potential investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

Adjusted loss was RMB514.5 million for the year ended December 31, 2023, representing a decrease of RMB90.6 million from RMB605.1 million for the year ended December 31, 2022. The decrease was primarily due to: (i) increased revenue and gross profit generated from sales of Carteyva®; (ii) decreased selling expenses and general and administrative expenses resulting from further improved operation efficiency in the Reporting Period; and (iii) increased net finance income due to effective cash management. The effects of these factors were partially offset by higher research and development expenses.

Adjusted loss for the year represents the loss for the year excluding the effect of certain non-cash items and one-time events, namely share-based compensation expenses, impairment of license and net foreign exchange losses. The term adjusted loss for the year is not defined under IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS. Our presentation of this adjusted figure may not be comparable to similarly titled measures presented by other companies. However, we believe that this non-IFRS measure reflects our core operating results by eliminating potential impacts of items that our management do not consider to be indicative of our core operating performance, and thus, facilitate comparisons of core operating performance from period to period and company to company to the extent applicable. The table below sets forth a reconciliation of loss to adjusted loss for the years indicated:

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Audited)</b>	(Audited)
<b>Loss for the year</b>	<b>(767,996)</b>	(846,135)
Added:		
Share-based compensation expenses	<b>34,965</b>	82,502
Impairment of license	<b>181,208</b>	—
Net foreign exchange losses	<b>37,324</b>	158,540
<b>Adjusted loss for the year (Non-IFRS)</b>	<b>(514,499)</b>	(605,093)

1 Adjusted loss for the period is not a financial measure defined under IFRS. It represents the loss for the period excluding the effect of the following non-cash items: (a) share-based compensation expenses; (b) impairment of license; and (c) net foreign exchange losses. For the calculation and reconciliation of this non-IFRS measure, please refer to "Management Discussion and Analysis — Financial Review — 11. Non-IFRS Measure".

For the year ended December 31, 2023, as an independent, innovative biotechnology company focused on developing, manufacturing and commercializing cell immunotherapy products, we have made significant further progress in our business, achieved important milestones, and comprehensively enhanced operation efficiency, such as further increased gross profit margin, well-controlled selling expenses, streamlined organization and reduced net cash outflow. Our lead product, Carteyva<sup>®</sup>, continued to make remarkable progress in its commercialization. Additionally, our outstanding clinical development and operational capabilities led to the National Medical Products Administration of China (“**NMPA**”) approval of our investigational new drug (“**IND**”) application relating to Carteyva<sup>®</sup> as a second-line therapy for transplant-ineligible patients with r/r LBCL, and we have commenced patient enrollment in the related clinical trial. The NMPA further approved (i) our supplemental New Drug Application (“**sNDA**”) relating to Carteyva<sup>®</sup> as a treatment for patients with r/r mantle cell lymphoma (“**MCL**”); and (ii) our IND application relating to relma-cel as a treatment for systemic lupus erythematosus (“**SLE**”). We currently expect that Carteyva<sup>®</sup> will be the first cell therapy product approved in China for the treatment of patients with r/r MCL. We also commenced an investigator-initiated trial (“**IIT**”) of JWATM214 for the treatment of advanced hepatocellular carcinoma (“**HCC**”). Moreover, we have made significant progress in developing innovative products with global commercialization potential.

Since the beginning of 2023, we have achieved the following significant milestones in our business:

### Commercialization

- In 2023, we generated 184 prescriptions of Carteyva<sup>®</sup> and completed 168 infusions.
- We continued to execute our cost reduction plans in 2023, which enabled us to further reduce cost of sales per batch and to increase our gross profit margin to 50.7% in the year ended December 31, 2023.
- As of December 31, 2023, Carteyva<sup>®</sup> has been listed in 70 commercial insurance products and 105 local governmental complementary medical insurance programs, and in the year ended December 31, 2023, 51% of infused patients received insurance reimbursements, with an expense coverage ranging from 30% to 100%.
- We improved commercial operation efficiency with streamlined organization and less spending to drive sustained revenue growth.

### Research and Development

#### ***Hematologic malignancies***

- In March 2023, the NMPA approved our IND application for Carteyva® as a second-line therapy for transplant-ineligible patients with r/r LBCL, and in November 2023 we commenced patient enrollment in the related clinical trial.
- In January 2024, the NMPA accepted our sNDA relating to Carteyva® as a treatment for adult patients with r/r MCL. The NMPA had granted Breakthrough Therapy Designation to Carteyva® for this purpose in March 2022, as well as Priority Review in December 2023, and we reported preliminary safety and efficacy data from the related clinical study at the 65th Annual Meeting of the American Society of Hematology in December 2023.

#### ***Autoimmune diseases***

- In March 2023, to further evaluate relma-cel's potential for treatment of a broader range of diseases, we commenced an IIT in China to evaluate the safety, tolerability and pharmacokinetic profile of relma-cel as a treatment for patients with moderately or severely active SLE. Although preliminary, we have observed well managed safety profile and significant improvement of clinical symptoms in the first several patients enrolled.
- In April 2023, we received NMPA approval of our IND application relating to relma-cel as a treatment for SLE. We believe that we may be able to secure a first-mover advantage in a highly promising market through development of relma-cel as a treatment for SLE. We have completed several rounds of dose level exploration in the related clinical trial, and we have observed promising preliminary safety and efficacy data in the first several patients enrolled.

#### ***Solid tumors***

- In February 2023, we commenced an IIT to evaluate JWATM214 as a treatment for patients with HCC, and JWATM214 has already been administered to the first patient. JWATM214 is our novel product that combines JWATM204 with Lyell's T-cell anti-exhaustion technology. We have observed preliminary safety and efficacy data for this product.
- In the first half of 2023, we also commenced pre-clinical development of cell therapy products directed to melanoma-associated antigen A4 ("**MAGE-A4**") and Delta-like canonical Notch ligand 3 ("**DLL3**"), based on rights that we in-licensed from 2seventy bio, Inc. ("**2seventy bio**") and Juno Therapeutics Inc. ("**Juno**"), respectively, in the second half of 2022.

### Discovery and Early Research

Our early research and development efforts focus on innovative pipeline products, leveraging our established infrastructure and expertise. The Company aims to expand internationally without regional restrictions. The new pipeline targets hematological cancers, solid tumors and autoimmune diseases, with “Armor” elements designed in-house to enhance the CAR therapies’ efficacy and durability. One of our first in-house developed products will be a dual targeting autologous CAR T-cell therapy designed for B-cell malignancies and autoimmune diseases, which is expected to have a broader range of effectiveness, increased signaling threshold, and significantly reduced risk of relapse due to antigen downregulation or loss that is commonly observed in hematological cancers. Another two new CAR products for solid tumor indications are engineered for global commercialization. In addition, we are exploring innovative approaches to simplify the manufacturing process through non-viral methods and off-the-shelf CAR products. This strategic approach aims to deliver potent therapies to patients efficiently while managing costs.

### Manufacturing

- We continued to maintain the manufacturing success rate of 98% for Carteyva®, close to the level that we obtained in our LBCL registrational clinical trial.
- After initial product launch, we have gained multiple approvals for manufacturing capacity expansion in the fourth quarter of 2022 and the first quarter of 2023.
- We continued to implement our cost reduction plans in 2023, which include procurement of important raw materials from domestic suppliers. As of December 31, 2023, we have commenced sourcing key materials from domestic suppliers, and going forward we plan to source additional raw materials from domestic suppliers. As a result of localization of raw materials and treatment of more patients, cost of sales per batch decreased by 17.3% for the year ended December 31, 2023 as compared to the average cost of sales in 2022.

# Management Discussion and Analysis

## BUSINESS REVIEW

### Overview

The Company is an independent, innovative biotechnology company focused on developing, manufacturing and commercializing cell immunotherapy products. Since founding in 2016, we have built an integrated platform for product development in cell immunotherapy, as well as a product pipeline covering hematologic malignancies, solid tumors and autoimmune diseases. We are committed to bringing breakthrough and quality cell immunotherapy products and the hope of a cure to patients in China and beyond, and to leading the healthy and standardized development of China's cell immunotherapy industry.

We are an early entrant into the field of cell-based immunotherapy in China. Cell-based immunotherapies, including CAR-T treatments, are an innovative treatment method that uses human immune cells to fight cancer, representing a paradigm shift and the latest innovation in cancer treatment. Our lead product, Cartheyva®, is an autologous anti-CD19 CAR-T cell immunotherapy product independently developed by us based on a CAR-T cell process platform of Juno (a Bristol Myers Squibb company). Cartheyva® has been approved by the NMPA for two indications, including the treatment of adult patients with r/r LBCL after two or more lines of systemic therapy, and the treatment of adult patients with r/r FL in which a relapse occurs within 24 months of second-line or higher systemic treatment. Cartheyva® is the first CAR-T product approved as a Category 1 biologics product in China, and currently it is the only CAR-T product in China that has been simultaneously included in the National Significant New Drug Development Program and granted priority review and breakthrough therapy designations.

Sales of CAR-T products in China continued strong growth in 2023. Given the unmet medical needs that can be effectively addressed by CAR-T therapies, the market for CAR-T therapies in China is expected to experience strong growth through 2030, according to Frost & Sullivan. We believe that we are well-positioned to take advantage of this growing market, based on the best-in-class potential of our anti-CD19 CAR-T product profile; our robust and differentiated cell therapy pipeline covering hematological cancers, solid tumors and autoimmune diseases; our fully integrated cell therapy development platform; our leading commercial manufacturing infrastructure and supply chain; and our seasoned management and strong support from the shareholders of the Company (the "**Shareholders**"). In 2023 we made significant progress on the development of Cartheyva® for the treatment of hematological malignancies, expanded our portfolio of products for the treatment of solid tumors, and advanced relma-cel as a potential treatment for SLE, an autoimmune disease widely prevalent in China.

### Commercialization

Sales of Cartheyva® achieved sustained growth in 2023 with significant improvement of operational efficiency. In 2023, we generated 184 prescriptions of Cartheyva® and completed 168 infusions.

We have built a focused and dedicated commercial team to commercialize Carteyva® across China. We have a fully established commercial team with strong commercialization capabilities, including Sales, Marketing, CAR-T Consultant, Innovative Payment, Channel Management and Operation. To meet market development and customer needs, the structure of our commercial team has been optimized in respect of streamlined administration and improved operation efficiency. These teams are led by experienced commercial team leaders with a clear business model. To build a patient centric treatment model, we conducted training for each hospital to help physicians and nurses to gain a comprehensive understanding about Carteyva® and the entire process from prescription to infusion. Furthermore, we conducted a systematic evaluation of hospitals to ensure the administration of CAR-T products meet our standards. As of December 31, 2023, we had completed evaluation and training for 125 hospitals in China, and certified those hospitals as qualified to administer Carteyva®. We expanded our certification coverage to private hospitals as permitted by competent regulatory authorities. In partnership with Shanghai Pharma KDL (上藥康德樂), as our national distributor, we have fully developed the distribution infrastructure to provide professional cell therapy product delivery services for each and every Carteyva®-prescribed patient.

To improve affordability, we have leveraged the development of China's multi-layer medical insurance system by listing Carteyva® in more local governmental complementary medical insurance programs and health insurance products. As of December 31, 2023, Carteyva® has been listed in more than 70 commercial insurance products and 105 local governmental complementary medical insurance programs. In 2023, 85 Carteyva®-infused patients out of a total of 168 Carteyva®-infused patients received insurance reimbursements (representing 51% of the Carteyva® infusions in 2023) with an expense coverage ranging from 30% to 100%. To further alleviate financial pressure on patients, we continued to cooperate with industry-leading innovative payment platforms which are able to provide installment payment services or mortgage loans to patients receiving Carteyva®. We will continue to expand commercial insurance coverage and explore more innovative payment solutions with the goal of improving affordability for patients who are eligible to be treated with Carteyva®.

We have made further progress on implementation of the manufacturing cost reduction strategies that we established in 2020, which consist of the following elements: (i) near-term (1–2 years)-realize significant cost reduction by implementing technologies and procedures that optimize the use of raw materials; (ii) mid-term (2–3 years)-realize further cost reduction by replacing imported materials with domestic supplies; and (iii) long-term (3–5 years)-implement new technologies for process improvement and key materials utilization and thereby further reduce raw material and labor costs, and potentially shorten production cycle time. We successfully completed our near-term cost reduction plans in 2022, and we commenced our mid-term cost reduction plans in 2022, which enabled us to procure important raw materials from domestic suppliers. As of December 31, 2023, we have commenced sourcing key materials from domestic suppliers, and going forward we plan to source additional raw materials from domestic suppliers. As a result of localization of raw materials and treatment of more patients, cost of sales per batch further decreased by 17.3% for the year ended December 31, 2023 as compared to the average cost of sales in 2022, which caused our gross profit margin to increase to 50.7%. We continue optimizing our manufacturing operations to improve efficiency and exploring new technologies for process improvement or new process platforms.

We continue to collaborate with stakeholders in the medical industry to establish best practices and industry standards for CAR-T therapies and enhance the administration and monitoring processes of CAR-T therapies to improve patient outcomes. In 2023, we explored the possibility of implementing a patient referral program across the Greater Bay Area to provide patients in Hong Kong and Macau with improved access to CAR-T therapies. With the proven efficacy of Carteyva<sup>®</sup>, increased adoption of CAR-T therapies and expanded coverage under the multi-layer medical care system in China, together with our clear strategy and strong commercialization ability, we are confident that Carteyva<sup>®</sup> is well positioned to benefit more patients in the medium and longer term.

### Our Product Pipeline

We have developed a robust and differentiated cell-based immunotherapy pipeline, with a risk-balanced approach that has shown clear benefit in the field of cell therapies for hematological cancers and provides an opportunity to expand into the nascent field of cell therapies for solid tumors and autoimmune diseases. Our product pipeline features a mix of product candidates targeting both proven and novel tumor antigens. In 2023, we made significant progress on the development of Carteyva<sup>®</sup> for the treatment of hematological malignancies, expanded our portfolio of products for the treatment of solid tumors, and advanced relma-cel as a potential treatment for SLE, a widely prevalent autoimmune disease. With respect to hematological malignancies, we completed patient enrollment in our clinical trial of Carteyva<sup>®</sup> as a treatment for r/r MCL, and the NMPA accepted our sNDA relating to that trial in December 2023. In addition, in November 2023 we commenced patient enrollment in our clinical trial of Carteyva<sup>®</sup> as a second-line treatment for 2L LBCL. With respect to solid tumors, the dose-finding phase of the IIT relating to JWATM204 as a treatment for HCC was completed and primary safety and efficacy data were obtained, and the IIT relating to JWATM214 as a treatment for HCC was commenced in February 2023. In addition, we also commenced pre-clinical development of cell therapy products directed to MAGE-A4 and DLL3. Moreover, in March 2023, we initiated the clinical study of relma-cel as a treatment for patients with moderately or severely active SLE. We also received NMPA approval of an IND application relating to relma-cel as a treatment for SLE in April 2023, expanding our potential range into the treatment of autoimmune diseases. Further, we have expanded our strategic partnership with 2seventy bio, Inc. (“**2seventy bio**”) to encompass co-development and commercialization of a CAR-T cell product for autoimmune diseases in Greater China. We believe that the Company may be able to secure a first-mover or early-mover advantage in a highly promising market through development of these therapies.



## Management Discussion and Analysis

Carteyva® is based on a CAR construct that we have in-licensed from Juno for Mainland China, Hong Kong and Macau<sup>2</sup>. Juno's biologics license application for its product based on that same CAR construct ("**Breyanzi**" or "**lisocabtagene**" or "**liso-cel**") was approved by the U.S. FDA for third-line LBCL in February 2021 and for second-line LBCL that is r/r within 12 months of frontline therapy in June 2022.

### **Third-line LBCL**

On September 1, 2021, the NMPA approved our NDA for Carteyva® as a treatment for adult patients with r/r LBCL after two or more lines of systemic therapy. Carteyva® is the first CAR-T product approved as a Category 1 biologics product in China, and the sixth approved CAR-T product globally.

Carteyva®'s potential to be a best-in-class CAR-T therapy is based on its superior safety profile and competitive efficacy. Our Phase II registrational clinical trial of Carteyva® as a third-line treatment for LBCL demonstrated efficacy results of best overall response rate ("**ORR**") of 77.6% and best complete response rate ("**CRR**") of 53.5%. In the same trial, severe cytokine release syndrome ("**sCRS**") was observed in 5.1% of treated patients, severe neurotoxicity ("**sNT**") was observed in 3.4% of treated patients, and no treatment-related deaths were reported. In addition, the two-year overall survival ("**OS**") rate was 69.3%, and there were no new safety signals. We reported these two years of follow-up results at the Annual Meeting of the American Society of Hematology held in San Diego, California in December 2023. We currently plan to publish four years of follow-up data during the first half of 2024.

### **Second-line LBCL**

We have completed a single-arm Phase I trial in China to evaluate Carteyva® as a treatment for high risk LBCL patients who are refractory to primary treatment. This was an open-label, single-arm, multi-centre, Phase I study, aiming to evaluate the safety and efficacy of relma-cel in patients with primary refractory disease after first-line standard of care. A total of 12 patients received relma-cel infusion and completed 9 months follow-up. Data showed relma-cel was tolerable, no grade 3 or higher cytokine release syndrome ("**CRS**") or neurotoxicity ("**NT**") was observed. The most common treatment-emergent adverse event at grade 3 or higher was cytopenia. The best ORR and best CRR were 75.0% and 33.3%, respectively, and 3-month ORR and CRR were 41.7% and 33.3%, respectively. Median duration of response and OS were not yet reached. We reported these findings at the Annual Meeting of the American Society of Clinical Oncology held in Chicago, Illinois in June 2022.

<sup>2</sup> Mainland China, Hong Kong and Macau refer to Mainland China, Hong Kong (China) and Macau (China), respectively.

In December 2021, on the basis of data generated from this trial, we submitted to the NMPA an IND application for a multi-center, randomized Phase III registrational clinical trial comparing Carteyva® to second-line LBCL standard of care therapy, including salvage chemotherapy +/- high dose chemotherapy followed by autologous stem cell transplant. The design is similar to the TRANSFORM study evaluating Breyanzi, a CAR-T using the same CAR construct as Carteyva® in this indication, which demonstrated highly statistically significant improvement in Event Free Survival for Breyanzi and led to the U.S. FDA approval of Breyanzi as a second-line treatment for LBCL. In March 2022, the NMPA approved our IND application relating to this trial. Further, we submitted a new IND application for Carteyva® as second-line therapy for transplant-ineligible patients with r/r LBCL in January 2023. The design is similar to the PILOT study evaluating Breyanzi, on the basis of which the U.S. FDA has approved Breyanzi for second-line treatment of transplant-ineligible patients. The NMPA approved our IND application relating to this trial in March 2023. We enrolled the first patient in this trial in November 2023, and we currently expect to complete patient enrollment in the second half of 2024.

### **Frontline LBCL**

In March 2023, we announced the commencement of an IIT relating to Carteyva® as a first-line treatment for patients with high risk LBCL, and the first patient infusion was completed. Recent reports have suggested that anti-CD19 CAR-T therapy may be beneficial to individuals who have not fully responded to early frontline therapy. As a result and given Carteyva®'s low frequency of severe toxicity to date, we expect to continue enrolling frontline patients with LBCL for our Phase I IIT. In the planned study, these patients who receive two cycles of conventional frontline therapy with R-CHOP<sup>3</sup> and do not achieve a complete response will then be enrolled and receive a single infusion of Carteyva® at a dose of 100 million cells.

These trial data, if favorable, may then be used to design and conduct an expanded Phase I trial of LBCL patients without prior chemotherapy or a larger registrational trial in frontline LBCL similar to the approach described for the initial IIT in the frontline setting. The trial is on-going, we intend to continue enrolling patients for establishing the primary safety and efficacy profile, and we currently expect to report these trial data in the second half of 2024.

### **Third-line FL**

With respect to Carteyva® as a third-line treatment for adult patients with r/r FL, the NMPA granted Breakthrough Therapy Designation in September 2020, accepted our sNDA in February 2022 and approved our sNDA in October 2022. Carteyva® has thus become the first CAR-T product approved for treatment of r/r FL in China.

The NMPA's approval of our sNDA relating to Carteyva® as a third-line treatment for adult patients with r/r FL was based on the 6-months clinical results from cohort B of a single-arm, multi-center pivotal study (the "**RELIANCE**" study) on Carteyva® in adult patients with r/r B cell non-Hodgkin lymphoma in China. The 3-months data had been presented at the 63rd Annual Meeting of the American Society of Hematology in December 2021. The cohort B results of the RELIANCE study showed that Carteyva® demonstrated high rates of durable disease response (ORR=100.0%, CRR=85.2% at month 3; ORR=92.6%, CRR=77.8% at month 6) and controllable CAR-T associated toxicities in patients with r/r FL.

<sup>3</sup> R-CHOP is a cancer drug combination to treat NHL. It includes rituximab, cyclophosphamide, anthracycline, vincristine and corticosteroid.

## Management Discussion and Analysis

In December 2022, we reported cohort B clinical response of this pivotal Phase II RELIANCE study on efficacy and safety of Carteyva® in adults with r/r FL in China at the 64th Annual Meeting of the American Society of Hematology. As of the data cut-off date of December 17, 2021, based on 28 patients who had been treated with Carteyva® with 11.7 months of median follow-up, Carteyva® demonstrated remarkable clinical responses, achieving high rates of CRR and ORR (best ORR and best CRR were 100.0% and 92.6% respectively) and a manageable safety profile — only one patient experienced grade 3 or above NT, and no patient experienced grade 3 or above CRS. We are continuing the RELIANCE study, and we currently plan to publish 2 years of follow-up data in the first half of 2024.

### ***r/r MCL***

We have completed enrollment in a registrational trial in China to evaluate Carteyva® as a treatment for MCL patients who previously received chemotherapy, anti-CD20 agent and Bruton tyrosine kinase inhibitors (“**BTKi**”). This is a Phase II, open-label, single-arm, multicenter study which aims to assess the efficacy and safety of Carteyva® in adults with r/r MCL in China. The study enrolled a total of 59 r/r MCL patients who were r/r to second-line or above treatments. Prior therapies must include an anti-CD20 monoclonal antibody, anthracycline-or bendamustine-containing chemotherapy, and BTKi therapy. We plan to follow up on long-term survival (five years or above) for these patients. Further in January 2024 the NMPA accepted our sNDA relating to Carteyva® as a treatment for patients with r/r MCL, and we currently expect that Carteyva® will be the first cell therapy product approved in China for the treatment of patients with r/r MCL. The NMPA had granted Breakthrough Therapy Designation to Carteyva® for this purpose in April 2022, as well as priority review in December 2023.

At the 65th Annual Meeting of the American Society of Hematology in December 2023, we reported preliminary safety and efficacy data for our study of Carteyva® as a treatment for MCL. As of the data cut-off of June 30, 2023, a total of 56 participants had been treated with Carteyva®. Of 42 efficacy-evaluable participants, Carteyva® demonstrated remarkable clinical responses, achieving high rates of CRR and ORR (3 months best ORR 78.57%, 3 months best CRR 66.67%). The safety assessment showed that, in 56 participants who received Carteyva®, the incidence of severe (grade≥3) CRS was 5.36%, the incidence of severe (grade≥3) NT was 7.14%, and the incidence of severe (grade≥3) infection was 26.79%. This study is ongoing and further results will be presented in due course.

### ***Third-line ALL***

We have commenced a single-arm Phase I/II registrational trial in China to evaluate Carteyva® in pediatric and young adult patients with r/r ALL after at least two prior lines of therapy. The NMPA approved our IND application with respect to this clinical trial in April 2022, we have commenced patient enrollment and administered the first several doses of Carteyva® to patients in this trial, and we currently expect to publish initial trial data in the first half of 2024.

### **JWCAR129**

JWCAR129 is an autologous CAR-T therapy for the treatment of multiple myeloma (“**MM**”), based on a CAR construct that we have in-licensed from Juno (the H125 vector). MM is a cancer of plasma cells, which are an important part of the immune system formed from matured B-cells to produce antibodies that help the body to attack and kill germs. MM is a condition in which plasma cells become cancerous and grow out of control. JWCAR129 targets BCMA, a protein which is highly expressed in a number of hematological malignancies, including MM. In December 2021, the NMPA approved our IND application relating to JWCAR129 as a treatment for fourth-line or greater r/r MM.

We will continue to evaluate opportunities for the development of JWCAR129 and other product candidates intended for the treatment of MM, taking into account the development status and potential of our other product candidates and availability of funding.

### **Autoimmune Diseases**

#### **Systemic Lupus Erythematosus (“SLE”)**

SLE is a chronic autoimmune disease characterized by the production of autoantibodies and abnormal B-lymphocyte function. Prevalence of SLE in China mainland is about 30/100,000 or around 270,000 cases patient-year<sup>4</sup>, 40% of SLE patients develop organ damage in the first year, and 50% of patients develop irreversible organ damage within five years of onset. Current standards of care are neither effective nor safe, which addresses the big unmet medical needs.

B Cell Depletion Therapy (“**BCDT**”) has now become one of the main novel therapy candidates targeted at SLE.

CD19 is widely expressed at all differentiation stages from pre-B cells to plasma cells. Hence, CD19-targeted CAR-T cells may target and deplete B cells or plasma cells that are directly responsible for autoantibody production. Compared with antibodies, CAR-T cell therapy could retain potency over time and rapidly lead to lasting remission. We estimate that at least 15,000 patients are CAR-T eligible in the targeted setting with high treatment willingness.

We received NMPA approval of our IND application relating to relma-cel as a treatment for SLE in April 2023. To further extend relma-cel’s potential in broader disease area, we initiated a clinical study to evaluate the safety, tolerability, and pharmacokinetic profile of relma-cel in Chinese patients with moderately or severely active SLE. To further study the efficacy of relma-cel and the recommended Phase II dose (“**RP2D**”) in SLE, we have completed several rounds of dose level exploration and observed promising preliminary safety and efficacy data in the first several patients enrolled. We intend to continue patient enrollment and currently expect to publish initial trial data in the first half of 2024. We believe that the Company may be able to secure a first-mover or early-mover advantage in the highly promising market for treatment of SLE in China through development of such therapy.

We have already demonstrated successful manufacture of CAR-T cells for SLE patients in our pilot study and observed a well-managed safety profile, significant improvement of clinical symptoms as well as complete depletion of B-cells in the first several patients enrolled.

<sup>4</sup> Rees F, Doherty M, Grainge MJ, et al. The Worldwide Incidence and Prevalence of Systemic Lupus Erythematosus: A Systematic Review of Epidemiological Studies. *Rheumatology*. 2017; 56(11): 1945–1961. Applied 30 cases/100,000 and assuming 900 million as China adult population in 2017.

## Management Discussion and Analysis

### Solid Tumors

The following chart summarizes the current development status of our product candidates that are intended for treatment of solid tumors:

	Product	Target	Indication	Commercial Rights	Pre-clinical	Phase I	Pivotal/ Phase II/III	NDA	Marketed	Partner
Solid Tumors	JWATM204 <sup>1</sup>	GPC3	HCC	Mainland China, Hong Kong, Macau, Taiwan, and member countries of ASEAN*						
	JWATM214 <sup>2</sup>	GPC3	HCC	Mainland China, Hong Kong, Macau, Taiwan, and member countries of ASEAN*						
	JWATM203 <sup>1</sup>	AFP	HCC	Mainland China, Hong Kong, Macau, Taiwan, and member countries of ASEAN*						
	JWATM213	AFP	HCC	Mainland China, Hong Kong, Macau, Taiwan, and member countries of ASEAN*						
	JWTCR001	MAGE-A4	various solid tumors	Mainland China, Hong Kong, Macau*						
	JWCAR031	DLL3	SCLC	Mainland China, Hong Kong, Macau*						

Abbreviations: HCC = hepatocellular carcinoma; NSCLC = non-small cell lung cancer; AFP = alpha-fetoprotein; GPC3 = glypican-3; r/r = relapsed or refractory; HAS = hepatoid adenocarcinoma of the stomach; MAGE-A4 = melanoma associated antigen A4; DLL3 = Delta-like ligand 3.

\* Mainland China, Hong Kong, Macau and Taiwan refer to Mainland China, Hong Kong (China), Macau (China) and Taiwan (China), respectively.

1. JWATM204 is in a Phase I investigator-initiated trial in China. Eureka's products based on the CAR constructs underlying JWATM203 and JWATM204 are currently in Phase I/II trials in the US conducted by Eureka under an IND application. In November 2021, the FDA granted Fast Track Designation to Eureka's counterpart to JWATM203 for the treatment of hepatoblastoma ("HB") and HCC in pediatric patients, as well as "rare pediatric disease designation" for the treatment of HB. In February 2022, the FDA granted Orphan Drug Designation to Eureka's counterparts to JWATM203 and JWATM204.
2. Developing using Lyell technology.

### **JWATM204/214**

JWATM204 is a validated autologous, non-HLA-restricted, T-cell receptor T-cell (“**TCR-T**”) therapy candidate built on Eureka’s ARTEMIS® and E-ALPHA® platforms and targeting glypican-3 (“**GPC3**”) for the treatment of HCC. Treatment of HCC represents a huge unmet medical need in China, and we believe that JWATM204 has the potential to be a treatment for patients with GPC3-positive HCC. In June 2020, we in-licensed from Eureka the rights to develop, manufacture and commercialize JWATM204 in Mainland China, Hong Kong, Macau, Taiwan<sup>5</sup> and the member countries of the Association of Southeast Asian Nations (the “**JW Territory**”). We completed manufacturing process development for the JWATM204 in the third quarter of 2021 by leveraging our relma-cel manufacturing process platform. In July 2022, we commenced an IIT of JWATM204 as a treatment for patients with advanced HCC, and we have already administered JWATM204 to several patients in connection with this trial. We have completed the dose exploration phase of this study and have observed preliminary efficacy and safety data, and we currently plan to publish initial data relating to this study as and when appropriate after we have completed follow up with patients.

Through our partnerships with Eureka and Lyell, we have combined Lyell’s technology in T-cell anti-exhaustion functionality with JWATM204 to create a novel product, JWATM214, for HCC treatment. In 2022, we focused on vector manufacturing process development for the JWATM214 program and have a vector manufacturing process development based entirely in China. In February 2023, we commenced an IIT relating to JWATM214 as a treatment for patients with advanced HCC. We plan to continue to progress to higher cell doses with JWATM214 upon further analysis with more data on efficacy, safety and other potential clinical signals.

### **JWATM203/213**

JWATM203 is a validated autologous T-cell receptor mimic (“**TCRm**”) T-cell therapy targeting alpha-fetoprotein (“**AFP**”) for the treatment of HCC. In June 2020, we in-licensed from Eureka the rights to develop, manufacture and commercialize JWATM203 in the JW Territory. As with JWATM204, we also plan to combine Lyell’s technology in T-cell anti-exhaustion functionality with JWATM203 and Eureka’s ARTEMIS® technology platform to create JWATM213, an additional autologous cell therapy for HCC treatment.

### **JWTCR001**

JWTCR001 is a specific cell therapy product directed to MAGE-A4 (including any mutations, fragments, modifications or derivatives of the engineered TCR binding MAGE-A4). MAGE-A4 is a highly prevalent antigen in a wide variety of malignant tumors, including non-small cell lung cancer, melanoma, bladder, head and neck, gastroesophageal and ovarian cancers, and thus an ideal target indication for TCR-T therapy. We have utilized the CTBR12 TGF-beta (“**FLIP**”) receptor technique developed by Regeneron, which potentially increases efficacy. Early phase clinical trials<sup>6</sup> have previously demonstrated that TCR-T cell therapies targeting MAGE-A4 can have meaningful clinical efficacy for treatment of MAGE-A4-expressing solid tumors. The biological license application (“**BLA**”) for treatment of synovia sarcoma was accepted by the U.S. FDA on January 31, 2024, and priority review has been granted.

<sup>5</sup> Mainland China, Hong Kong, Macau and Taiwan refer to Mainland China, Hong Kong (China), Macau (China) and Taiwan (China), respectively.

<sup>6</sup> Adaptimmune’s Surpass and Spearhead trials, as reported at the European Society for Medical Oncology (2022).

In October 2022, we established a strategic alliance with 2seventy bio to develop and commercialize a cell therapy product directed to MAGE-A4 (including any mutations, fragments, modifications or derivatives of the engineered binding element for MAGE-A4) in oncology indications. The agreement is focused on the technologies and know-how possessed by 2seventy bio, and also includes future prospects for the development and commercialization of the product in Greater China based on addressable patient population and unmet medical needs. We believe that the Company may be able to secure a first-mover or early-mover advantage in a highly promising market through development of such a therapy. We have established our manufacturing process for a product directed to MAGE-A4 in anticipation of commencement of an IIT, and we currently expect that patient enrollment will commence in the first quarter of 2024.

### **JWCAR031**

JWCAR031 is a specific CAR-T product specifically directed to DLL3 that contains a construct that we in-licensed from Juno and that is manufactured using the JW manufacturing process. While activation and up-regulation of Notch would generally induce tumor formation and promote tumor development, its activation and up-regulation in neuroendocrine tumors could suppress tumor growth, specifically in small cell lung carcinoma (“**SCLC**”). Thus DLL3 plays a key role in the signaling pathway that regulates tumorigenesis, disease progression and chemoresistance. Taking SCLC as an illustration, DLL3 is highly expressed in about 80% of the patients, and clinical studies have demonstrated that DLL3 in SCLC is negatively correlated with patients’ survival.

JWCAR031 is being developed under the agreement that we entered into with Juno in December 2022 for the research, development, manufacturing and commercialization of new cellular therapy products specifically directed to DLL3 in Greater China, taking into consideration Juno’s leading position in the field of cell therapy and the significant market potential of such products as evidenced by the addressable markets. We believe that we have the potential to be one of the early movers in such highly promising market through this development.

**Cautionary Statement required by Rule 18A.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”):** We cannot guarantee that we will be able to successfully develop or ultimately market Carteyva® in indications beyond the current NMPA-approved label, or to successfully develop or ultimately market our other pipeline products. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

### **Discovery and Pre-clinical Research**

Our early research and development efforts are focused on engineering innovative pipeline products that make the most of our infrastructure and expertise. Following the successful registration and commercialization of our personalized anti-CD19 CAR product in China, we have established an efficient framework for collecting, manufacturing, and delivering autologous CAR therapies to patients in need. Building on this success, our early research aims to further leverage this framework by developing new autologous products with enhanced features and expanding their commercialization to international markets without regional restrictions. With global commercialization envisioned, we intend to engineer our new pipeline products in a way that will maximize their values to us.

Our new pipeline products will primarily focus on addressing unmet needs for hematological cancers, solid tumors and autoimmune diseases, with an aim to overcome key challenges and limitations in this field. Alongside developing new products, by means of early research, we also invest substantial effort into strengthening our existing pipeline through process modifications and incorporation of additional components. These products will incorporate additional “Armor” elements that are designed in-house to enhance the anti-cancer function of CAR therapies. By combining these Armor elements with the CAR products, we aim to prolong the duration of therapy in patients and make it less responsive to suppressive signals produced by tumors, so as to achieve better outcomes in patients.

Furthermore, all of these new products will benefit from our next-generation product processing method, which has been internally developed to accelerate manufacturing, reduce costs and maintain the product in an optimal state compared to conventional methods.

One of our first in-house developed products will be a dual targeting autologous CAR T-cell therapy designed for B-cell malignancies and autoimmune diseases. By incorporating dual targeting, this product is expected to have a broader range of effectiveness, increase the signaling threshold, and significantly reduce the risk of relapse due to antigen downregulation or loss, commonly observed in hematological cancers. Additionally, we plan to equip this product with enhancing Armored elements to improve performance and shield it from suppressive factors produced by the tumor’s defense systems. Our next-generation processing techniques will be deployed to manufacture this product, aiming to deliver a more potent, rapid and cost effective therapy. The CAR product for autoimmune diseases is currently expected to be delivered to the clinic by the second or third quarter of 2024 while the enhanced CAR product for B-cell malignancies is currently expected to be delivered to the clinic by the end of 2024. Both of these products are intended for commercialization both within and outside China.

In addition, we are developing two new CAR products for solid tumor indications. Both products are engineered for global commercialization and are expected to be delivered to the clinic in 2025. Both of these products express enhancing Armored elements and take advantage of our next generation cellular processes, designed to increase product potency and reduce manufacturing cost and time.

The following chart summarizes the current development status of our potential new products:

Indication	Target	Commercial Rights	Pre-clinical	IIT
<b>Autoimmune diseases</b>	Dual Targeting	Worldwide		Expected in Q2/3 2024
<b>B-cell malignancies</b>	Dual Targeting	Worldwide		Expected in Q4 2024
<b>Solid tumor 1</b>	To be announced	Worldwide		Expected in Q1 2025
<b>Solid tumor 2</b>	To be announced	Worldwide		Expected in Q3 2025

Lastly, we are exploring innovative approaches to simplify the manufacturing process. We are investigating the feasibility of non-viral methods that involve genomic editing and off-the-shelf CAR products for various indications. These approaches may potentially expedite the delivery of therapies to patients and reduce overall production costs.

### Manufacturing

In June 2020, we received a production license from Jiangsu Province authorities for our new commercial manufacturing facility in Suzhou. This facility provides approximately 10,000 square meters for commercial and clinical manufacturing in compliance with Good Manufacturing Practice (“**GMP**”) and Quality Management System (“**QMS**”) standards. It is designed to house four independent modules. The design of these modules can be adapted to support all cell platforms, including those using gene-modified autologous T-cells and natural killer (“**NK**”) cells, gene-modified or non-gene-modified tumor-infiltrating lymphocyte and gene-modified allogeneic immune cells, as well as facilities to produce GMP grade viral vectors that are used to genetically modify these cells.

Our Suzhou operations have been executing according to our commercialization plans and have made significant achievements during the past several years. In March 2021, we received and passed relma-cel Pre-approval Inspection (“**PAI**”) conducted jointly by the NMPA and Jiangsu Medical Products Administration with no critical or major observations. In June 2021, our production license for Suzhou site was renewed with the license type changed from As to As+Cs (A as Marketing Authorization Holder (“**MAH**”) owner and manufacturer, C as contract manufacturing organization (“**CMO**”), s as bio products). Currently, all three modules have been approved and are in full GMP operations. With current regulatory approval, we can meet manufacturing needs for both commercial and clinical supplies and have maintained a high manufacturing success rate of 98% since our LBCL registration clinical trial. After initial product launch, we have gained multiple approvals for manufacturing capacity expansion in the fourth quarter of 2022 and the first quarter of 2023. We continue working with relevant regulatory agencies to further increase our manufacturing capacity in order to meet the increased demands.

As a critical material, sustainable lentiviral vector supply is necessary to ensure our final product manufacturing and supply. We continuously invest resources in establishing our own capability in vector development and manufacturing. We have developed a platform process and successfully manufactured vectors to support clinical programs. Furthermore, we are establishing vector capability for commercial product.

### Future and Development

Our vision is becoming an innovation leader in cell immunotherapy, we intend to focus on pursuing the following strategies to achieve that vision:

- Continue to drive full scale commercialization of Carteyva®.
- Solidify our leadership in hematology by continuing to develop Carteyva® for earlier lines of treatment and additional indications, as well as further expanding clinical development for autoimmune diseases.
- Leverage our integrated cell therapy platform to expand into the solid tumor market.
- Continuously enhance our manufacturing capability and implement cost reduction plan through innovation and scale.
- Grow our business through in-licensing opportunities, partnerships and selective acquisitions, as well as in-house R&D.

## FINANCIAL REVIEW

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

**IFRS Measure:**

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Audited)</b>	(Audited)
Revenue	<b>173,856</b>	145,702
Cost of sales	<b>(85,637)</b>	(86,946)
Gross profit	<b>88,219</b>	58,756
Selling expense	<b>(113,196)</b>	(190,877)
General and administrative expenses	<b>(140,048)</b>	(179,763)
Research and development expenses	<b>(413,616)</b>	(407,818)
Other income	<b>8,249</b>	23,380
Other losses, net	<b>(219,215)</b>	(159,561)
<b>Operating loss</b>	<b>(789,607)</b>	(855,883)
Finance income	<b>34,026</b>	16,535
Finance costs	<b>(12,415)</b>	(6,787)
Finance income — net	<b>21,611</b>	9,748
<b>Loss before income tax</b>	<b>(767,996)</b>	(846,135)
Income tax expense	<b>—</b>	—
<b>Loss for the year</b>	<b>(767,996)</b>	(846,135)
<b>Other comprehensive income:</b>		
<i>Items that will not be reclassified to profit or loss</i>		
— Exchange differences on translation	<b>62,558</b>	326,966
Other comprehensive income for the year, net of tax	<b>62,558</b>	326,966
<b>Total comprehensive loss for the year</b>	<b>(705,438)</b>	(519,169)
<b>Non-IFRS measure:</b>		
<b>Adjusted loss for the year</b>	<b>(514,499)</b>	(605,093)

### 1. Revenue

Revenue was RMB173.9 million for the year ended December 31, 2023, as compared to RMB145.7 million for the year ended December 31, 2022. Revenue was recognized at the point of infusion. This growth was attributed to the ongoing commercialization of our anti-CD19 autologous CAR-T cell immunotherapy product, Carteyva® (relma-cel, R&D code: JWCAR029). Carteyva® was approved for treating adult patients with r/r LBCL and r/r FL. As the market continues to evolve, we anticipate a sustained increase in revenue from the sales of Carteyva®, which has a superior product profile that could bring break through value to patients and additional indications are expected to be approved.

The following table sets forth a breakdown of revenue from our product for the years indicated:

	Year ended December 31,		Year ended December 31,	
	2023		2022	
	RMB'000	%	RMB'000	%
	(Audited)		(Audited)	
Carteyva®	173,856	100.0	145,702	100.0
<b>Total revenue</b>	<b>173,856</b>	<b>100.0</b>	<b>145,702</b>	<b>100.0</b>

### 2. Cost of Sales

Cost of sales was RMB85.6 million for the year ended December 31, 2023, as compared to RMB86.9 million for the year ended December 31, 2022. Cost of sales primarily consists of raw material costs, staff costs, depreciation and amortization, manufacturing overhead and others.

The following table sets forth a breakdown of cost of sales by product for the years indicated:

	Year ended December 31,		Year ended December 31,	
	2023		2022	
	RMB'000	%	RMB'000	%
	(Audited)		(Audited)	
Carteyva®	85,637	100.0	86,946	100.0
<b>Total cost of sales</b>	<b>85,637</b>	<b>100.0</b>	<b>86,946</b>	<b>100.0</b>

### 3. Gross Profit and Gross Profit Margin

Gross profit represents revenue minus cost of sales. Gross profit margin represents gross profit as a percentage of revenue.

Gross profit was RMB88.2 million and gross profit margin was 50.7% for the year ended December 31, 2023, compared to RMB58.8 million and 40.3%, respectively, for the year ended December 31, 2022.

#### 4. Selling Expenses

The following table provides a breakdown of selling expenses for the years ended December 31, 2022 and 2023.

	Year ended December 31,	
	2023 <i>RMB'000</i> (Audited)	2022 <i>RMB'000</i> (Audited)
Employee benefit expenses	55,296	100,838
Business promotion fees	48,394	75,943
Professional service fees	4,650	9,811
Office expenses	3,684	2,878
Others	1,172	1,407
<b>Selling expenses</b>	<b>113,196</b>	<b>190,877</b>

Selling expenses decreased from RMB190.9 million for the year ended December 31, 2022 to RMB113.2 million for the year ended December 31, 2023. This decrease was primarily due to a decrease of approximately RMB45.5 million in employee benefit expenses which resulted from a streamlined commercial workforce which aimed at operating more efficiently to support the commercialization of Carteyva®. To a lesser extent, the decrease resulted from a decrease of approximately RMB27.5 million in business promotion fees and RMB5.2 million in professional service fees.

#### 5. General and Administrative Expenses

The following table provides a breakdown of general and administrative expenses for the years ended December 31, 2022 and 2023.

	Year ended December 31,	
	2023 <i>RMB'000</i> (Audited)	2022 <i>RMB'000</i> (Audited)
Employee benefit expenses	68,053	97,489
Professional service fees	35,327	40,415
Depreciation and amortization	12,144	11,963
Office expenses	12,267	16,355
Auditor's remuneration	2,862	2,661
Non-audit remuneration	604	934
Others	8,791	9,946
<b>General and Administrative Expenses</b>	<b>140,048</b>	<b>179,763</b>

General and administrative expenses decreased from RMB179.8 million for the year ended December 31, 2022 to RMB140.0 million for the year ended December 31, 2023. This decrease resulted primarily from a decrease of approximately RMB29.4 million in employee benefit expenses. To a lesser extent, the decrease resulted from a decrease of approximately RMB5.1 million in professional service fees.

### 6. Research and Development Expenses

The following table provides a breakdown of research and development expenses for the years ended December 31, 2022 and 2023.

	Year ended December 31,	
	2023 RMB'000 (Audited)	2022 RMB'000 (Audited)
Employee benefit expenses	173,798	196,090
R&D materials	75,457	72,281
Testing and clinical fees	75,777	63,468
Depreciation and amortization	62,711	50,088
Office expenses	16,751	15,549
Others	9,122	10,342
<b>Research and development expenses</b>	<b>413,616</b>	<b>407,818</b>

Research and development expenses increased from RMB407.8 million for the year ended December 31, 2022 to RMB413.6 million for the year ended December 31, 2023. This increase was primarily attributable to: (i) an increase of approximately RMB12.3 million in testing and clinical fees and RMB3.2 million in R&D materials which resulted from pre-clinical research activities and different phases of clinical trials; and (ii) an increase of approximately RMB12.6 million in depreciation and amortization which principally resulted from our new vector manufacturing facility in Suzhou being put into use in the second half of 2022. The effects of the foregoing factors were partially offset by a decrease of approximately RMB22.3 million in employee benefit expenses.

### 7. Other Income

Other income amounted to RMB8.2 million for the year ended December 31, 2023, as compared to RMB23.4 million for the year ended December 31, 2022. Other income in both years was related to government grants.

## 8. Other Losses, Net

The following table provides a breakdown of other losses for the years ended December 31, 2022 and 2023.

	Year ended December 31,	
	2023 <i>RMB'000</i> (Audited)	2022 <i>RMB'000</i> (Audited)
Impairment of license	181,208	—
Net foreign exchange loss	37,324	158,540
Net loss on disposal of property, plant and equipment	929	168
Others	(246)	853
<b>Other Losses, Net</b>	<b>219,215</b>	<b>159,561</b>

Other losses, net increased from RMB159.6 million for the year ended December 31, 2022 to RMB219.2 million for the year ended December 31, 2023. This increase was in part attributable to the impairment of license of RMB181.2 million related to product JWATM204/214 based on an adjustment noted in the valuation report prepared by an independent valuer, which took into account a variety of factors including the level of complexity of R&D pathways in the solid tumor field, the time and resources that might be required in advancing in-depth analysis with clinical data, and the overall R&D investment efforts required to work toward commercialization. The Company estimates that these factors may eventually result in an increase in the level of R&D efforts and other resources required and may affect the possibility of success, gross margin and pre-tax discount rate, which gave rise to a decline in the recoverable amount of the cash generating unit and caused the recognition of impairment loss. The effect of the intangible asset impairment was partially offset by a decrease of approximately RMB121.2 million in net foreign exchange loss due to milder weakening of RMB against USD and HKD in 2023 compared with 2022. Net foreign exchange loss mainly arose from the unrealized foreign exchange loss as a result of the continuous weakening of RMB against USD and HKD when exchanging from the transactional currency (RMB) to the functional currencies (USD and HKD) for our offshore companies within the Group.

## 9. Income Tax Expense

For the years ended December 31, 2022 and 2023, we did not incur any income tax expense, as we did not generate taxable income in either year.

### 10. Loss for the Year

As a result of the above items, loss for the year was RMB768.0 million for the year ended December 31, 2023, compared to RMB846.1 million for the year ended December 31, 2022. The decrease was primarily attributable to: (i) increased revenue and gross profit generated from sales of Carteyva®; (ii) decreased selling expenses and general and administrative expenses resulting from further improved operation efficiency in the Reporting Period; (iii) decreased net foreign exchange loss due to milder weakening of RMB against USD and HKD in 2023 compared with 2022; and (iv) increased net finance income due to effective cash management. The effect of the factors mentioned above were partially offset by (i) provision for the impairment of license related to product JWATM204/214 based on an adjustment noted in the valuation report prepared by an independent valuer, which took into account a variety of factors including the level of complexity of R&D pathways in the solid tumor field, the time and resources that might be required in advancing in-depth analysis with clinical data, and the overall R&D investment efforts required to work toward commercialization. The Company estimates that these factors may eventually result in an increase in the level of R&D efforts and other resources required and may affect the possibility of success, gross margin and pre-tax discount rate, which gave rise to a decline in the recoverable amount of the cash generating unit and caused the recognition of impairment loss; and (ii) higher research and development expenses resulting from the expansion of various research and development initiatives.

### 11. Non-IFRS Measure

To supplement the Group's consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted loss for the year as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that these adjusted measures provide useful information to Shareholders and potential investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

Adjusted loss was RMB514.5 million for the year ended December 31, 2023, representing a decrease of RMB90.6 million from RMB605.1 million for the year ended December 31, 2022. The decrease was primarily due to: (i) increased revenue and gross profit generated from sales of Carteyva®; (ii) decreased selling expenses and general and administrative expenses resulting from further improved operation efficiency in the Reporting Period; and (iii) increased net finance income due to effective cash management. The effects of these factors were partially offset by higher research and development expenses.

Adjusted loss for the year represents the loss for the year excluding the effect of certain non-cash items and one-time events, namely share-based compensation expenses, impairment of license and net foreign exchange losses. The term adjusted loss for the year is not defined under IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS. Our presentation of this adjusted figure may not be comparable to similarly titled measures presented by other companies. However, we believe that this non-IFRS measure reflects our core operating results by eliminating potential impacts of items that our management do not consider to be indicative of our core operating performance, and thus, facilitate comparisons of core operating performance from period to period and company to company to the extent applicable. The table below sets forth a reconciliation of loss to adjusted loss for the years indicated:

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Audited)</b>	(Audited)
<b>Loss for the year</b>	<b>(767,996)</b>	(846,135)
Added:		
Share-based compensation expenses	<b>34,965</b>	82,502
Impairment of license	<b>181,208</b>	—
Net foreign exchange losses	<b>37,324</b>	158,540
<b>Adjusted loss for the year (Non-IFRS)</b>	<b>(514,499)</b>	(605,093)

**Selected Data from Statement of Financial Position**

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Audited)</b>	(Audited)
Total current assets	<b>1,067,484</b>	1,485,168
Total non-current assets	<b>1,078,613</b>	1,306,179
<b>Total assets</b>	<b>2,146,097</b>	2,791,347
Total current liabilities	<b>264,469</b>	310,835
Total non-current liabilities	<b>197,790</b>	126,228
<b>Total liabilities</b>	<b>462,259</b>	437,063
<b>Net current assets</b>	<b>803,015</b>	1,174,333

### 12. Liquidity and Sources of Funding and Borrowing

As at December 31, 2023, current assets amounted to RMB1,067.5 million, including cash and cash equivalents of RMB1,005.9 million and other current assets of RMB61.6 million. As at the same date, current liabilities amounted to RMB264.5 million, primarily including trade and other payables of RMB109.1 million, borrowings of RMB105.0 million and contract liability of RMB30.4 million.

In 2023, we strictly controlled our cash expenditures and actively diversified and expanded our financing channels to provide financial support for our future development. As at December 31, 2023 we have unsecured bank borrowings in the amount of RMB262.5 million, which includes: (i) unsecured long term bank borrowings in the amount of RMB172.5 million; and (ii) unsecured bank liquidity borrowings drawdown in the amount of RMB90.0 million from the bank facilities which multiple banks have granted. As of the date of this annual report, the Group has available unutilized bank loan facilities of RMB435.6 million.

As at December 31, 2023, cash and cash equivalents were RMB1,005.9 million, representing a net cash outflow of RMB377.4 million compared to RMB1,383.3 million as at December 31, 2022. The cash outflow was primarily due to payments of research and development expenses, general and administrative expenses, selling expenses and capital expenditure for long term assets. Those payments were partially offset by increased revenue and above bank borrowings.

### 13. Key Financial Ratios

The following table sets forth the key financial ratios of the Group as of the dates indicated:

	<b>As at December 31, 2023</b>	As at December 31, 2022
Current ratio <sup>(1)</sup>	<b>4.0</b>	4.8
Ratio of total liabilities to total assets <sup>(2)</sup>	<b>0.2</b>	0.2
Gearing ratio <sup>(3)</sup>	<b>N/A<sup>(4)</sup></b>	N/A <sup>(4)</sup>

(1) Current ratio equals current assets divided by current liabilities as of the date indicated.

(2) Ratio of total liabilities to total assets equals total liabilities divided by total assets as of the date indicated.

(3) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by total equity and multiplied by 100%.

(4) Gearing ratio is not applicable as our interest-bearing borrowings less cash and cash equivalents was negative.

### 14. Material Investments

We did not make any material investments during the year ended December 31, 2023.

## 15. Material Acquisitions and Disposals

We did not engage in any material acquisitions or disposals during the year ended December 31, 2023.

## 16. Pledge of Assets

As at December 31, 2023, the Group had no pledge of assets.

## 17. Contingent Liabilities

As at December 31, 2023, we did not have any material contingent liabilities.

## 18. Foreign Exchange Exposure

The Group mainly operated in Mainland China and a majority of its transactions were settled in RMB. We have financed our business principally through equity financings and the Global Offering with related proceeds denominated in USD ultimately. We converted a portion of those USD proceeds to RMB, with the remaining amounts reserved for additional conversions to RMB as needed. With the continuous appreciation of USD against the RMB, holding USD assets will enhance the purchasing power of the Group.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the Reporting Period. Differences arising on settlement or translation of monetary items are recognized in profit or loss. During the year ended December 31, 2023, foreign exchange risk arose from the assets and liabilities denominated in RMB which is different from the functional currencies of the Company due to the weakening of RMB against USD and HKD in 2023. The management seeks to limit our exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. During the Reporting Period, the Group did not enter into any currency hedging transactions.

## 19. Employees and Remuneration

As at December 31, 2023, we had 398 employees representing a decrease of 24.6% from 528 employees as of December 31, 2022. The following table sets forth the total number of employees by function as at December 31, 2023:

	Number of Employees	% of total
Technical operations	144	36.2
Quality	71	17.8
Research and development	77	19.4
Commercial	69	17.3
Support functions and business development	37	9.3
<b>Total</b>	<b>398</b>	<b>100.0</b>

The total remuneration cost (including Directors' emoluments) incurred by the Group for the year ended December 31, 2023 was RMB308.2 million, as compared to RMB405.9 million for the year ended December 31, 2022.

The remuneration of the employees of the Group comprises salaries, bonuses, employees provident fund and social security contributions, other welfare payments and share-based compensation expenses. In accordance with applicable Chinese laws, the Group has made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for the Group's employees.

The Company has also adopted the Pre-IPO Incentivization Scheme, the Restricted Share Unit Schemes, the Post-IPO Incentivization Scheme and the Post-IPO Restricted Share Unit Scheme while no restricted share units or share options being granted to any directors or employees for the year ended December 31, 2023. Please refer to the section headed "Statutory and General Information — D. Share Incentivization Schemes" in Appendix V to the prospectus dated October 22, 2020 (the "**Prospectus**") for further details.

### EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the Reporting Period.

### RECENT DEVELOPMENTS OF REGULATORY FRAMEWORK

#### **National Health Commission, Ethical Review of Life Science and Medical Research involving Human Subjects**

"Ethical Review of Life Science and Medical Research Involving Human Subjects" hereinafter referred to as "Measures" refers to as special provisions in the field of life science and medicine, are the direct basis for the ethical review of life science and medical research involving human beings conducted by healthcare institutions, schools of higher education, scientific research institutes and others. The life science and medical research involving human beings, as referred to in the Measures, subjects or the use of human biological samples and information data (collectively referred to as research participants) to carry out the following research activities:

1. The activities of studying human reproduction, growth, development and aging by means of physics, chemistry, biology and traditional Chinese medicine.
2. The activities of studying human physiology, psychology, behavior, pathological phenomena, etiology and pathogenesis of diseases, prevention, diagnosis, treatment and rehabilitation of diseases by means of physics, chemistry, biology, traditional Chinese medicine and psychology.
3. the use of new technologies or new products for experimental research on human subjects.
4. The activities of collecting, recording, using, reporting or storing biological samples, information data (including health records, behavior, etc.) and other scientific research materials related to life science and medical problems of people by using epidemiological, sociological, psychological and other methods.

According to the Measures, ethical review committees shall be set up in medical institutions at or above the secondary level, health institutions at or above the municipal level divided into districts (including disease prevention and control institutions, maternal and child health care institutions, blood collection and supply institutions, etc.), institutions of higher learning and scientific research institutes, etc. carrying out life science and medical research involving human beings.

### **Center for Drug Evaluation of NMPA, Working Standards for Accelerating the Evaluation of Innovative Drug Marketing Applications by CDE (Trial)**

This working standard aims to encourage research and development of new drugs to meet clinical drug needs, and to combine valuable experiences such as “early intervention, research review linkage, and rolling submission” in the emergency review process of the epidemic, as well as new tools, methods, and standards formed by regulatory scientific action plans. It aims to transform, consolidate, and expand the achievements of the epidemic in a systematic manner, encourage the innovative research and development process of children’s medication and rare disease, as well as innovative medicines included in the Breakthrough Therapeutic Drugs Program, and accelerate the review and approval speed of innovative drug varieties.

### **Ministry of Science and Technology, Implementing Regulations on the Management of Human Genetic Resources**

In order to better implement “Regulations on the Management of Human Genetic Resources of the People’s Republic of China” and further improve quality of human genetic resources management, Ministry of Science and Technology distributes “Implementing Regulations on the Management of Human Genetic Resources”, First, implement the Biosafety Law of the People’s Republic of China and other laws and regulations, administer the country in accordance with the law, fulfill its duties and responsibilities, and carry out human genetic resources management in a scientific, rigorous and efficient manner. The second is to clarify the responsibilities of the central and local governments in the management of human genetic resources, and to promote the establishment of an integrated supervision and management mechanism. Thirdly, it will clarify the management boundaries, deepen the reform of “management and service”, strengthen the management and control of key links, and, on the premise of resolutely safeguarding national biosafety, resolutely control what should be controlled and practically liberalize what should be released. Fourthly, to realize the accessibility of the implementation of the system, improve the procedural provisions in each aspect of administrative licensing, filing and security review, strengthen the specific measures of supervision, inspection and administrative punishment, and safeguard the efficient operation of human genetic resources management in accordance with laws and regulations. Meanwhile, it has also responded to and provided guidelines on hot issues of wide concern to the industry, including the identification of foreign parties, intellectual property rights arrangements, the filing and security review of data made available to the outside world, and the scope of application of the simplified optimization procedure.

### **The China Pharmaceutical and Biotechnology Association, Guidelines for Somatic Cell Clinical Research (Trial)**

In order to promote the healthy development of investigator-initiated clinical research on somatic cells in medical institutions and strengthen the guidance on the work of conducting clinical research on somatic cells in medical institutions, in accordance with the spirit of the Drug Administration Law of the People's Republic of China, the Administrative Regulations of Medical Institutions and other laws and regulations, According to the "Administrative Measures for Investigator-Initiated Clinical Trials in Medical and health Institutions (Trial)" piloted by the National Health Commission of the People's Republic of China, this guideline is formulated with reference to the management procedures and technical requirements of stem cell clinical research, and the characteristics of somatic cell clinical research. This guideline applies to somatic clinical trials initiated by investigators in medical institutions for non-registration purposes.

### **National Medical Product Administration, 2022 Annual Drug Review Report**

On September 6, 2023, National Medical Product Administration (NMPA) issued the 2022 Annual Drug Review Report (hereinafter referred to as the Report). According to the Report, in 2022, the drug review work delivered an eye-catching report card, in which 21 innovative drugs were approved through review and recommendation, recombinant novel coronavirus protein vaccine (CHO cell) and 4 new coronavirus therapeutic drugs were approved, and the number of approved drugs for children was 66, which was an all-time high; 10 new traditional Chinese medicines (including traditional Chinese medicines extracts) were approved for marketing; and the time-bound review and approval rate for the whole year reached 99.80%. Among them, the time-bound completion rate of new drug marketing authorization applications (NDA), applications for marketing authorization of drugs with the same name and formula, chemical generics (ANDA), and registration applications included in the prioritized review and approval procedure exceeded 98% for the first time, making a historic breakthrough; the four accelerated listing and registration procedures for breakthrough therapeutic drugs, conditional approvals, prioritized review and approvals and special approvals continued to play an advantageous role, and the review resources continued to be allocated to the four drugs with urgent clinical needs and clinical advantages. The review resources continue to be tilted to products with urgent clinical needs and clinical advantages. The Drug Review Center continued to deepen the drug review and approval system, and made public a total of 1,024 technical review reports of new drugs; continued to increase the disclosure of drug review information, promote the construction of process-oriented scientific management system, and integrate the scientific management system documents into the daily review of the whole process; strengthened the construction of human resources, and strongly supported the development of the drug Yangtze River Delta sub-center and the drug center of the Greater Bay Area. At the same time, the Drug Review Center continued to increase the revision of guidelines, and issued 61 guidelines in 2022. Since the construction of the drug review standard system, it has issued a total of 422 guiding principles. At present, China's drug technology guiding principles system is more complete, and constantly drive China's guiding principles system to be in line with the international rules, to further meet the needs of drug research and development and encourage innovation.

### **State Administration for Market Regulation, Supervision and Administration of Drug Operation and Use Quality**

The Measures for the Administration of Drug Operation Licenses and the Measures for the Supervision and Administration of the Circulation of Drugs were promulgated earlier, and have played an important role in guaranteeing the quality of drug operation and use as well as in regulating the order of the drug market, etc. However, they are no longer adapted to the supreme law, the requirements of the concept of the whole lifecycle of drugs, as well as the needs of the high-quality development of the drug circulation industry, and it is necessary to carry out a comprehensive systematic revision. Supervision and Administration of Drug Operation and Use Quality (hereinafter referred to as the “Measures”) focus on the primary task of promoting high-quality development, and strive to optimize the business environment and stimulate market vitality by means of legalized and market-oriented standards, so as to continuously improve the modernization of the regulation of drug circulation.

### **Center for Drug Evaluation of NMPA, Guiding principles for clinical communication and exchange technology related to cell and gene therapy products**

In order to guide and standardize the preparation of information for communication and the consideration of clinical research and development elements in the process of clinical research and development of cellular and gene therapy products, so as to improve the efficiency of communication and exchange and promote the clinical research and development of cellular and gene therapy products, the Center for Drug Control and Evaluation (CDC) organized and formulated the “Guiding principles for clinical communication and exchange technology related to cell and gene therapy products”.

The purpose of this guideline is to provide suggestions for the preparation of information for communication and consideration of clinical development elements during the clinical development of cellular and gene therapy products, with a view to improving the efficiency of communication and facilitating the smooth progress of clinical development of cellular and gene therapy products. The cell and gene therapy products covered in this guideline mainly include human stem cells and their derivative cell therapy products, immune cell therapy products, gene therapy products, etc.

# Directors and Senior Management

## DIRECTORS

### Executive Director

**Dr. Li**, M.D., aged 60, is an executive Director, Chairman and CEO. He joined our Group on February 15, 2016 as the chief executive officer and was appointed as our Director on November 14, 2017 and was redesignated as an executive Director on August 5, 2020. He is primarily responsible for the overall corporate management, strategic planning, business development, day-to-day management and product research and development of our Group.

Prior to joining our Company, Dr. Li was the founding general manager for Amgen Biotechnology Consulting (Shanghai) Co., Ltd.\* (安進生物技術諮詢(上海)有限公司) (“**Amgen**”) in China from January 2012 to July 2015. From September 2006 to December 2011, Dr. Li was a partner in the life science practice of Kleiner Perkins Caufield & Byers, first in the US Pandemic Fund and later from December 2009 to January 2012, in its China Fund. He managed various investments such as early stage university spin out, growth stage companies and helped a portfolio company to go public in 2010. From March 1991 to October 2006, Dr. Li served in various positions at Merck & Co. Inc. (“**Merck**”) where he held leadership positions in clinical research and franchise management, both in the US and Asia, including obtaining regulatory approvals of Merck vaccines across the Asia Pacific region, building the foundations of Merck’s medical operations in China and expanding Merck’s franchise in Asia at the time.

Dr. Li obtained his medical degree from Shanghai Medical College of Fudan University\* (復旦大學上海醫學院) (previously known as Shanghai Medical University\* (上海醫科大學)) in the PRC in July 1987 and a master’s degree in microbiology from the University of Montana in the United States in December 1991.

### Non-executive Directors

**Ms. Xing Gao (高星)** (“**Ms. Gao**”), aged 39, is a non-executive Director of our Group. She joined our Group on May 22, 2020 and was appointed as a non-executive Director on the same date. She is primarily responsible for supervising and providing oversight to the Board.

Ms. Gao has over 10 years of healthcare investment related experience. She currently serves as a principal at Beijing Panmao Consulting Co., Ltd.\* (北京磐茂諮詢有限公司), a member of a leading alternative asset manager in the PRC. Prior to that, she worked as associate at N M Rothschild & Sons Limited from October 2011 to June 2013 and as an analyst at the Bank of America Merrill Lynch from June 2007 to September 2011.

Ms. Gao obtained a bachelor’s degree in biochemical engineering from University College London in the United Kingdom in August 2008 and a master of business administration degree from Harvard Business School in the United States in May 2015.

**Dr. Sungwon Song (“Dr. Song”)**, aged 43, is a non-executive Director of our Group. He joined our Group on August 29, 2023 and was appointed as a non-executive Director on the same date. He is primarily responsible for supervising and providing oversight to the Board.

Dr. Song has been working at Mirae Asset Global Investments (Hong Kong) Limited as a healthcare private equity investor since July 2018, advising on securities and asset management mainly on the portfolio of healthcare sector. He has over 8 years of private healthcare investment experience. Prior to his employment with Mirae Asset Global Investments (Hong Kong) Limited, he was a healthcare venture capitalist at Mirae Asset Capital Co., Ltd in Seoul, South Korea, from July 2016 to July 2018. Prior to that, he was a healthcare investment analyst at Mirae Asset Global Investment LLC in New York, the United States, from July 2015 to June 2016.

Dr. Song obtained a bachelor of science degree in biotechnology and genetic engineering from Korea University in South Korea in August 2005 and a master of arts degree in biotechnology of biological sciences from Columbia University in the United States in August 2008. Dr. Song further obtained a Ph.D. in molecular cellular developmental biology from the Ohio State University in the United States in December 2014.

**Dr. Cheng Liu (“Dr. Liu”)**, aged 57, is a non-executive Director of our Group. He joined our Group on June 30, 2020 and was appointed as a non-executive Director on the same date. He is primarily responsible for supervising and providing oversight to the Board.

Dr. Liu is the Founder, President and CEO of Eureka Therapeutics. Prior to founding Eureka, Dr. Liu was a principal scientist in antibody drug discovery at Chiron Corporation (now integrated into Novartis). With over 20 years of experience in the field, he holds more than 500 patents and published patent applications of which over 100 patents have issued worldwide and has authored numerous peer-reviewed papers on cancer immunotherapy. He is the inventor of multiple first-in-class, clinical-stage cancer drugs against various tumor targets, including drugs targeting CSF1 for the treatment of bone metastasis, BCMA for multiple myeloma, and AFP and GPC3 for liver cancer. In 2007, he was awarded a Special US Congressional Recognition for his contributions to improving human health. He is the editor of the book *“Biosimilars of Monoclonal Antibodies: A Practical Guide to Manufacturing, Preclinical, and Clinical Development”*.

Dr. Liu received his bachelor’s degree in cell biology and genetics from Peking University\* (北京大學) in the PRC in July 1988 and a Ph.D. in molecular cell biology from the University of California, Berkeley in the United States in May 1996.

### Independent Non-executive Directors

**Mr. Yiu Leung Andy Cheung (張耀樑) (“Mr. Cheung”)**, aged 64, is an independent non-executive Director of our Group. He joined our Group on October 22, 2020 and was appointed as an independent non-executive Director on the same date. He is primarily responsible for providing independent view to the Board.

Mr. Cheung has served as an independent non-executive director and chairman of the audit committee of CanSino Biologics Inc. (HKSE: 6185, SHSE: 688185) since February 2024, as an independent non-executive director and chairman of the audit committee of Hua Medicine (HKSE: 2552) since January 2023 and an independent director and chairman of the audit committee of Adagene Inc. (NASDAQ: ADAG) since February 2021.

Mr. Cheung has many years of auditing and accounting professional experience. From July 2018 to June 2020, he was the deputy area managing partner of Ernst & Young (“EY”) in Asia Pacific overseeing the business operations, finance, information technology and risk management functions. He was members of EY’s Global Accounts Committee and EY’s Global Management and Investment Committee. From July 2013 to June 2018, he was the assurance managing partner of EY in Greater China. From July 2009 to June 2010, he worked as the chief financial officer of EY Far East Area and led the effort to set up EY’s China overseas investment network in 2007. Prior to joining EY, Mr. Cheung was an assurance partner with PricewaterhouseCoopers and Arthur Andersen in China.

## Directors and Senior Management

Mr. Cheung received his bachelor's degree in accounting and finance from the University of Lancaster in the United Kingdom in June 1982. He obtained a master's degree in accounting and finance from London School of Economics in the United Kingdom in August 1983. He is a member of Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). From 2015 to 2020, he was a member of the HKICPA Disciplinary Panel.

**Mr. Kin Cheong Kelvin Ho (何建昌) (“Mr. Ho”)**, aged 56, is an independent non-executive Director of our Group. He joined our Group on October 22, 2020 and was appointed as an independent non-executive Director on the same date. He is primarily responsible for providing independent view to the Board.

Mr. Ho has over 28 years of experience in finance and accounting, company secretary, initial public offering, takeover, deposition and debt restructuring. Mr. Ho was appointed as an independent non-executive director of CECEP COSTIN New Materials Group Limited (in provisional liquidation) (“**CECEP COSTIN**”) (HKSE: 2228), a company listed on the Main Board of the Stock Exchange, since August 6, 2018. Based on published information, CECEP COSTIN received a winding up petition and a summons for the appointment of joint provisional liquidators dated October 30, 2017. Mr. Ho's appointment was subsequent to the winding up petition against CECEP COSTIN and he was appointed by the joint provisional liquidators to meet the relevant requirements under the Listing Rules. He has resigned as an independent non-executive director on February 8, 2022.

Mr. Ho has been appointed as an independent non-executive director of Rosan Resources Holdings Limited (HKSE: 0578) since July 1, 2020 and has resigned on November 1, 2022. He was also a non-executive director of E-rental Car Company Limited (now known as China Wood International Holding Co., Limited) (HKSE: 1822) from April 11, 2016 for a one-year term and he was an independent non-executive director of Cheung Tai Hong Holdings Limited (now known as ITC Properties Group Limited) (HKSE: 0199) from October 29, 2001 to May 20, 2003.

Mr. Ho is currently also respectively appointed as an independent non-executive director of Yadong Group Holdings Limited (HKSE: 1795) since October 21, 2020 and an independent non-executive director of MicroTech Medical (Hangzhou) Co., Ltd. (HKSE: 2235) since April 21, 2021. In addition, he is also the independent non-executive director of Green Leader Holdings Group Limited (HKSE: 00061) since August 5, 2020. The securities of the above companies are listed on the Main Board of the Stock Exchange.

Mr. Ho holds a Bachelor Degree in Business Administration (Hons.), major in Accounting, from Hong Kong Baptist University (previously known as Hong Kong Baptist College) in Hong Kong in November 1990. He is an associate member of the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Association of Chartered Certified Accountants.

**Dr. Debra Yu (“Dr. Yu”)**, alias Yu Jiuyun, aged 59, is an independent non-executive Director of our Group. She joined our Group on March 1, 2023 and was appointed as an independent non-executive Director on the same date. She is primarily responsible for providing independent view to the Board.

Dr. Yu, has more than 30 years of experience in strategy, business development, alliance management, investment banking, capital markets and venture capital. She has been a director of ARYA Sciences Acquisition Corp V (a company listed on Nasdaq under the symbol ARYE) and MeiraGTx (a company listed on Nasdaq under the symbol MGTX) since July 2021 and April 2022, respectively. She served as the president of LianBio (a company listed on Nasdaq under the symbol LIAN) from October 2019 to December 2022, where she also served as the chief business officer from October 2019 to September 2021 and the chief strategy officer from October 2021 to December 2022. Prior to that, Dr. Yu held leadership positions at various reputable companies, including managing director and head of cross border investment banking of China Renaissance (US) Securities from August 2016 to September 2019, managing director of Labrador Advisors, LLC from July 2009 to June 2016, vice president and head of strategy of WuXi AppTec, Inc. from 2008 to 2009 and senior director and team leader of the Pfizer Investments Group and Worldwide Business Development at Pfizer, Inc. from 2004 to 2008. Earlier in her career, Dr. Yu served as the managing director and a general partner of two venture capital firms in the San Francisco Bay Area which focus their investments in the life sciences sector.

Dr. Yu received a bachelor's degree in molecular biology from the Princeton University in June 1986 and subsequently received a medical degree from the Harvard Medical School in March 1992.

**Dr. Krishnan Viswanadhan** (“**Dr. Viswanadhan**”), aged 45, is an independent non-executive Director of our Group. He joined our Group on November 20, 2019 and was appointed as a non-executive Director on the same date. On August 29, 2023, he was redesignated as an independent non-executive Director of our Group. He is primarily responsible for providing independent view to the Board.

Dr. Viswanadhan has been the President and Chief Operating Officer at Be Biopharma since July 2021 and an independent board member of Cargo Therapeutics. He was a senior vice president and global cell therapy franchise lead at BMS from August 2019 to July 2021. Prior to that, he served at Celgene starting as an executive director, global project leader and strategic development leader in 2014 and then as Vice President of Business Development and Global Alliances. Prior to that, he served at F. Hoffmann-La Roche Ltd. (“**Roche**”) where he first began as program manager in the drug regulatory department in July 2002.

Dr. Viswanadhan obtained a bachelor of science degree and a doctor of pharmacy degree from Rutgers University in the United States in May 2001. He obtained a master of business administration degree from Cornell University in the United States in May 2010.

**Dr. Ann Li Lee, Ph.D.** (“**Dr. Lee**”), aged 62, is an independent non-executive Director of our Group. She joined our Group on May 22, 2020 and was appointed as a non-executive Director on the same date. On August 29, 2023, she was redesignated as an independent non-executive Director of our Group. She is primarily responsible for providing independent view to the Board.

Dr. Lee possesses over 30 years of experience in the biopharmaceutical industry working on vaccines, small molecules, cell therapies and gene editing. She has worked at Prime Medicine as Chief Technical Officer since October 2021. She was employed by BMS from November 2019 until July 2021 as senior vice president and head of cell therapy development and operations, and she served at Celgene from April 2018 as executive vice president and head of cell therapy development and operations. Prior to that, she joined Juno as executive vice president of technical operations in November 2017. Earlier in her career, she served as vice president and senior vice president in Genentech, Inc. and as global head of technical development at Roche. She also worked at Merck beginning in 1989 where she worked in vaccines R&D at levels of increasing responsibility, and was vice president of chemical technology and engineering in the Merck manufacturing division.

## Directors and Senior Management

Dr. Lee obtained a Ph.D. in engineering and applied science from Yale University in the United States in May 1990. She obtained her bachelor of science degree from Cornell University in the United States in May 1983. She is an elected member of the National Academy of Engineering, fellow of the American Academy of Arts and Sciences and fellow of the American Institute for Medical and Biological Engineering.

### SENIOR MANAGEMENT

**Mr. Qiang Ma (馬強) (“Mr. Ma”)**, aged 46, is the senior vice president and chief commercial officer of the Company. He joined our Group in May 2023. He is accountable for leading commercial functions and operations to manage all commercial aspects to drive the company’s commercial success.

Mr. Ma has over 20 years of commercial experience in the pharmaceutical industry and had held leadership positions in EddingPharm, Roche, Fresenius Kabi, Bayer and Eli Lilly, etc. Before joining our Group, he was the senior vice president of business operations at EddingPharm, responsible for leading the business with sales revenue of over RMB2.5 billion. Over the years, Mr. Ma had covered anti-infectives, oncology, nephrology and imaging diagnostics fields and has developed a deep understanding of customers and team management to drive the success of the business.

Mr. Ma holds a Bachelor’s degree in traditional Chinese medicine from Hebei Medical University\* (河北醫科大學).

**Dr. Shaun Paul Cordoba (“Dr. Cordoba”)**, aged 44, is the senior vice president and chief scientific officer of the Company. He joined our Group on January 10, 2022. He is primarily responsible for overseeing the early-stage research and development and providing scientific leadership and strategic guidance to develop a robust cell immunotherapy pipeline.

Dr. Cordoba is a highly regarded scientist in driving new innovations in cell immunotherapy technology. He is ranked 3rd in the world as patent holder in relation to CAR technology with well over 270 patent filings in relation to enhancing CAR activity, shielding CAR-T cells from immunosuppression, and improving CAR safety. Prior to joining JW Therapeutics, Dr. Cordoba served as the executive director of synthetic biology and cell signalling at Autolus Therapeutics plc in the United Kingdom, where he led a group of scientists focused on the development of CARs for both haematological and solid tumors. He obtained a Ph.D. in Immunology from the University of Sydney in Australia and held post-doctoral positions at the University of Oxford, Imperial College London, and University College London, respectively, in the United Kingdom.

**Ms. Yun Qin (秦耘) (“Ms. Qin”)**, aged 42, is the senior vice president of clinical sciences & medical services of the Company. She joined our Group in June 2021. She is primarily responsible for the Company’s clinical and medical functions, including clinical development, medical communications, pharmacovigilance and medical affairs.

Before joining our Group, Ms. Qin served as the therapeutic area head of lung cancer at AstraZeneca R&D China, successfully led the team to complete the new indication application and clinical research of Imfinzi, the new indication application of Tagrisso, and formulate the clinical development strategy on ADC, double-antibody, small molecule products, etc. Prior to that, Ms. Qin worked at Merck, drove Keytruda’s approval and development strategy on multiple indications in China, and also worked in Merck US and Japan. She has also worked for leading healthcare companies including Pfizer and BD, and participated in the clinical research of new drugs including Xalkori. She also held managerial roles in data management and medical affairs, in addition to clinical development.

Ms. Qin worked at the Hematology Department of PLA (Chinese People’s Liberation Army) General Hospital from 2005 to 2007, and worked on China’s National 973 Program. She holds a Master’s degree in oncology from Peking University and a Bachelor’s degree in clinical medicine from Xi’an Jiao Tong University\* (西安交通大學).

**Dr. Su Yang (楊蘇) (“Dr. Yang”)**, aged 45, is the senior vice president of Clinical Research & PMO of the Company. She joined our Group on May 23, 2017 and was appointed as an executive director<sup>7</sup> of clinical research operations on the same date.

Before joining our Group, Dr. Yang worked as a therapeutical area leader at Roche (China) Holding., Ltd.\* (羅氏(中國)投資有限公司) from February 2014 to May 2017.

Dr. Yang obtained her medical degree in clinical medicine from Nanjing Medical University\* (南京醫科大學) in the PRC in June 2001.

<sup>7</sup> For the avoidance of doubt, despite the title as director, Dr. Su Yang is a member of the Company’s senior management.

# Report of Directors

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

## GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on September 6, 2017 as an exempted company with limited liability under the laws of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange on November 3, 2020.

## PRINCIPAL ACTIVITIES

We are a leading clinical stage cell therapy company in China. Since our founding in 2016, we have built an integrated platform focused on developing, manufacturing and commercializing breakthrough cell-based immunotherapies for hematological cancers and solid tumors. Our vision is to become an innovation leader in cell immunotherapy. Analysis of the principal activities of the Group during the year ended December 31, 2023 is set out in the note 36 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended December 31, 2023 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive loss on pages 128 to 129 of this annual report.

## FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended December 31, 2023.

No Shareholder has waived or agreed to waive any dividends.

## BUSINESS REVIEW

### Overview and Performance of the Year

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance, including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the Reporting Period are set out in the section headed "Events After the Reporting Period" in this report.

## Principal Risks and Uncertainties

The following list is a summary of certain principal risks and uncertainties involved in our operations, some of which are beyond our control:

### ***Risks Relating to Our Financial Position***

- We have incurred significant losses since our inception, and we expect to continue to incur losses for the foreseeable future;
- An impairment in the carrying value of intangible assets could have a material adverse effect on our financial condition and results of operations.

### ***Risks Relating to Our Business***

- Changes in international trade or investment policies and barriers to trade or investment, the ongoing conflict and trade tension war between the U.S. and China may have an adverse effect on our business and expansion plans;
- We operate in a rapidly changing industry and we face substantial competition, which may result in others discovering, developing or commercializing competing products before or more successfully than we do, or developing product candidates or treatments that are safer, more effective, more effectively marketed or cost less than ours, or receive regulatory approval or reach the market earlier. As a result, our product candidates may not achieve the sales we anticipate and could be rendered non-competitive or obsolete;
- Our proprietary CAR-T preparation technologies and the manufacturing platform for our CAR-T product candidates represent emerging approaches to cancer treatment that face significant challenges and hurdles;
- Clinical development of biopharmaceutical products involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results;
- If clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates;
- We may not be successful in our efforts to build or in-license a pipeline of new product candidates. If we fail to do so, our commercial opportunity will be limited;
- We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or have a greater likelihood of success.

### ***Risks Relating to Extensive Government Regulation***

- All material aspects of the research, development, manufacturing and commercialization of biopharmaceutical products are heavily regulated. Any failure to comply with existing regulations and industry standards, or any adverse actions by the NMPA or other comparable regulatory authorities against us, could negatively impact our reputation and our business, financial condition, results of operations and prospects;
- The regulatory approval processes of the NMPA and other comparable regulatory authorities are lengthy, time-consuming and inherently unpredictable. If we are ultimately unable to obtain, or experience delays in obtaining, regulatory approval for our product candidates, our business will be substantially harmed;
- Changes in government regulations or in practices relating to the pharmaceutical and biopharmaceutical industries, including healthcare reform in China, and compliance with new regulations may result in additional costs;
- Even if we are able to commercialize any approved product candidates, the products may become subject to unfavorable pricing regulations, or to unfavorable changes in national or third-party reimbursement practices, which could harm our business.

### ***Risks Relating to Manufacturing of Our Product Candidates***

- Our product candidates are cell therapies. The manufacture of our product candidates is complex, and we may encounter difficulties in production, particularly with respect to development or scaling-out of our manufacturing capabilities. If we encounter such difficulties, our ability to provide supply of our product candidates for clinical trials or our products for patients, if approved, could be delayed or stopped, or we may be unable to maintain a commercially viable cost structure;
- Cell-based therapies rely on the availability of reagents, specialized equipment, and other specialty materials, which may not be available to us on acceptable terms or at all. For some of these reagents, equipment, and materials, we rely or may rely on sole source vendors or a limited number of vendors, which could impair our ability to manufacture and supply our products.

**Risks Relating to Commercialization of Our Product Candidates**

- The market opportunities for our product candidates may be limited to those patients who are ineligible for or have failed prior treatments and may be small, and our projections regarding the size of the addressable market may be incorrect;
- We may not be successful in achieving cost of goods at commercial scale that provide for an attractive margin. We believe that our current, robust manufacturing processes are fit for commercial scale and we anticipate they will enable commercial supply at an economical cost. However, we have not yet established manufacturing capacity at sufficient commercial scale and may underestimate the cost and time required to do so, or overestimate cost reductions from economies of scale that can be realized with our manufacturing processes. We may ultimately be unable to manage the cost of goods for our product candidates to levels that will allow for a margin in line with our expectations and return on investment if and when those product candidates are commercialized;
- Product liability claims or lawsuits could cause us to incur substantial liabilities, and our insurance coverage may be inadequate to protect us from all the liabilities we may incur;
- The increasing use of social media platforms presents new risks and challenges.

**Risks Relating to Our Intellectual Property Rights**

- We depend on intellectual property licensed from third parties, and termination of any of these licenses or disruption to our business relationship with our licensors could result in monetary damages or the loss of significant rights, which would harm our business;
- If we or our licensors are unable to obtain and maintain adequate patent and other intellectual property protection for our product candidates and other intellectual property, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and our ability to successfully develop and commercialize any of our product candidates or technologies may be adversely affected;
- If we determine that our intellectual property rights (including rights in-licensed from third parties) or other intangible assets are impaired, our results of operations and financial condition may be adversely affected;
- Even if we are able to obtain patent protection for our product candidates, the life of such protection, if any, is limited, and third parties could be able to circumvent our patents by developing similar or alternative products and technologies in a non-infringing manner, or develop and commercialize products and technologies similar or identical to ours and compete directly against us after the expiration of our patent rights, if any, and our ability to successfully commercialize any product or technology would be materially adversely affected.

### **Risks Relating to Our Doing Business in China**

- The biopharmaceutical industry in China is highly regulated and such regulations are subject to change, which may affect approval and commercialization of our product candidates;
- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies;
- Our business benefits from certain financial incentives and preferential policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

For further details, please refer to the section headed “Risk Factors” in the Prospectus.

### **Environmental Policies and Performance**

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth.

### **Compliance with Relevant Laws and Regulations**

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2023, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

### **Key Relationship with Stakeholders**

The Group recognizes that various stakeholders including employees, medical experts, patients, customers, suppliers and other business associates are key to the Group’s success. The Group strives to achieve corporate sustainability through engaging, educating, collaborating, and cultivating strong relationships with them. The Group believes that it is vital to attract, recruit and retain quality employees. To maintain the quality, knowledge and skill levels of the Group’s workforce, the Group provides the employees with periodic training, including introductory training for new employees, technical training, professional and management training and health and safety training. The Group believes that it maintains a good relationship with its employees and the Group did not experience any significant labor disputes or any difficulty in recruiting staff for its operations. The Group conducts academic marketing activities to establish and maintain relationships with key opinion leaders in the national medical system. The Group provides these experts with detailed information on its products and helps them make independent comparison among competing products in the market. The Group also maintains long-term cooperative relationships with medical experts to help raise the Group’s profile, enhance awareness of Group’s products in the medical community and among patients, provide it with valuable clinical data to improve the Group’s products, and collect feedback from the real world clinical practices and support on the patients group and comply with physicians to manage the side effects. For details of an account of the Company’s key relationships with its main stakeholders, please see the “2023 Environmental, Social and Governance Report”.

## FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years are set out on page 9 of this annual report. This summary does not form part of the audited consolidated financial statements.

## USE OF NET PROCEEDS FROM LISTING

Our shares were listed on the main board of the Stock Exchange on November 3, 2020. The Group received net proceeds (after deducting the underwriting fees and related costs and expenses) from the issue of new shares by the Company in its Listing and the subsequent over-allotment option partially exercised by the Joint Global Coordinators (as defined in the Prospectus) of approximately HKD2,495.8 million.

The net proceeds (adjusted on a pro rata basis based on the actual net proceeds) (the "Net Proceeds") have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2023:

Intended Applications	Amount of Net Proceeds (HKD million)	Percentage of total Net Proceeds	Net Proceeds brought forward for the Reporting Period (HKD million)	Actual usage up to December 31, 2023 (HKD million)	Unutilized Net Proceeds as at December 31, 2023 (HKD million)
Research and development activities relating to relma-cel	748.74	30%	135.46	135.46	—
Building a focused in-house sales and marketing team to market relma-cel across Mainland China	249.58	10%	—	—	—
Research and development activities relating to JWCAR129	149.75	6%	78.34	—	78.34
Research and development activities relating to our other pre-clinical product candidates including our JWATM203 Program, our JWATM204 Program and Nex-G	698.82	28%	454.69	93.46	361.23
Acquisition of the Acepodia license through exercising the Acepodia Option	99.83	4%	99.83	—	99.83
New potential acquisitions and in-licensing opportunities	299.50	12%	275.79	—	275.79
Working capital and general corporate purposes	249.58	10%	65.01	65.01	—
<b>Total</b>	<b>2,495.80</b>	<b>100.0%</b>	<b>1,109.12</b>	<b>293.93</b>	<b>815.19</b>

As of December 31, 2023, unutilized net proceeds from the issue of new shares by the Company in its Listing (including the partial exercise of the over-allotment option by the Joint Global Coordinators) (the “**Unutilized Net Proceeds**”) amounted to HKD815.19 million.

### Change in Use of Net Proceeds from Listing

The Board, having considered the reasons set out below under the heading “Reasons for the Change in Use of Net Proceeds,” has resolved to change the use of the Unutilized Net Proceeds. The change and the revised allocation of the Net Proceeds and the Unutilized Net Proceeds are set out below:

Original use of Net Proceeds as disclosed in the Prospectus	Original allocation of total Net Proceeds as disclosed in the Prospectus (HKD million)	Percentage of total Net Proceeds	Amount of utilized Net Proceeds as of December 31, 2023 (HKD million)	Amount of Unutilized Net Proceeds as of December 31, 2023 (HKD million)	Changed use of proceeds	Revised amount of Unutilized Net Proceeds as of December 31, 2023 (HKD million)	Revised percentage of Unutilized Net Proceeds
1. Research and development activities relating to relma-cel	748.74	30.00%	748.74	—	1. Research and development activities relating to treatment of hematologic malignancies (including treatment of first-line and second-line LBCL, r/r FL, MCL, ALL, and other programs initiated by the Company using relma-cel)	200.00	24.53%
2. Building a focused in-house sales and marketing team to market relma-cel across Mainland China	249.58	10.00%	249.58	—	—	—	—
<i>Research and development activities relating to JWCAR129</i>	149.75	6.00%	71.41	78.34	<i>(reallocated to revised item 1)</i>	—	—
3. Research and development activities relating to our other pre-clinical product candidates including our JWATM203 Program, our JWATM204 Program and Nex-G	698.82	28.00%	337.59	361.23	2. Research and development activities relating to treatment of solid tumors (including treatment of various solid tumors targeting MAGE-A4 (including JWTCR001), treatment of SCLC and other programs initiated by the Company targeting DLL3 (including JWCAR031), and treatment of HCC and other programs initiated by the Company targeting GPC3 (including JWATM204/JWATM214))	100.00	12.27%
—	—	—	—	—	3. Research and development activities relating to treatment of autoimmune diseases (including treatment of SLE and other programs initiated by the Company using relma-cel)	240.00	29.44%

Original use of Net Proceeds as disclosed in the Prospectus	Original allocation of total Net Proceeds as disclosed in the Prospectus (HKD million)	Percentage of total Net Proceeds	Amount of utilized Net Proceeds as of December 31, 2023 (HKD million)	Amount of Unutilized Net Proceeds as of December 31, 2023 (HKD million)	Changed use of proceeds	Revised amount of Unutilized Net Proceeds as of December 31, 2023 (HKD million)	Revised percentage of Unutilized Net Proceeds
Acquisition of Acepodia license through exercising the Acepodia option	99.83	4.00%	—	99.83	— (reallocated to revised item 4)	—	—
5. Potential acquisitions and in-licensing opportunities	299.50	12.00%	23.71	275.79	4. Potential collaborations, acquisitions and in-licensing opportunities (including potential future collaboration with Acepodia)	100.00	12.27%
—	—	—	—	—	5. Developing and upgrading technologies, manufacturing platform capabilities and developing new therapy areas	95.00	11.65%
6. Working capital and general corporate purposes	249.58	10.00%	249.58	—	6. Working capital and general corporate purposes	80.19	9.84%
<b>Total</b>	<b>2,495.80</b>	<b>100.00%</b>	<b>1,680.61</b>	<b>815.19</b>		<b>815.19</b>	<b>100.00%</b>

The Unutilized Net Proceeds are expected to be utilized by the end of 2025.

### Reasons for the Change in Use of Net Proceeds

The reasons for the above changes in the proposed applications of the Net Proceeds and the reallocation of the Unutilized Net Proceeds are as follows:

- From the time of the Listing in November 2020, the Company's business has been focused on developing, manufacturing and commercializing cell-based immunotherapies for hematological cancers and solid tumors.
- Since 2020, in the hematology field, the Company has brought relma-cel to commercialization as a third-line treatment for LBCL and FL, and the Company has (a) driven commercialization of relma-cel for these indications; and (b) driven clinical development of relma-cel as a second-line treatment for LBCL and as a third-line treatment for MCL and ALL. In addition, the Company has announced the commencement of an IIT relating to relma-cel as a first-line treatment for LBCL.
- In the solid tumor field, the Company expanded its product pipeline in the field of solid tumors in 2022 by (a) establishing a strategic alliance with 2seventy bio to develop and commercialize a cell therapy product directed to MAGE-A4, an antigen that is preferentially expressed in a wide variety of solid tumors including non-small cell lung cancer and melanoma as well as bladder, head and neck, gastroesophageal and ovarian cancers; and (b) entering into an agreement with Juno for the research, development, manufacturing and commercialization in China of new cellular therapy products specifically directed to DLL3, an antigen that is widely expressed in a variety of malignant tumors, and increased DLL3 expression is associated with later stage disease. The Company has also commenced research and development on treatment of HCC targeting GPC3, including an IIT relating to JWATM214, since HCC is the predominant type of liver cancer which is one of the most lethal cancers. There are only a handful of HCC treatment options currently available in China and there is an urgent need for more effective and novel therapeutic options to improve current poor outcomes.
- In 2022, the Company commenced exploration of an opportunity to develop relma-cel as a treatment for SLE, an autoimmune disease that is widely prevalent in China and is characterized by substantial unmet medical need, and in April 2023 the NMPA approved the Company's IND application relating to relma-cel as a treatment for SLE. The Company believes that, by recategorizing the Unutilized Net Proceeds to develop relma-cel for SLE, it may be able to secure a first-mover or early-mover advantage in a highly promising market.

- Historically the Company primarily accessed discovery capabilities through its relationships with counterparties such as Juno and 2seventy bio. Going forward, the Company will develop its own in-house product discovery capability while continuing to collaborate with counterparties. As such, it is estimated that there will not be any substantial acquisitions and in-licensing arrangements in the near term. Moreover, future substantial acquisitions and in-licensing arrangements could be funded by internal resources and/or bank borrowings of the Group.
- Based on the expansion of relma-cel's potential into the field of autoimmune diseases, the expansion of the Company's product pipeline in the field of solid tumors by entering into in-licensing agreements with 2seventy bio and Juno and the Company's establishment of its own in-house product discovery capability, the Company has determined that it is appropriate to recategorize the proposed uses of the Unutilized Net Proceeds as indicated in the preceding chart.
- The Company's research and development team (the "**R&D team**") is actively engineering innovative pipeline products leveraging its developmental capabilities and know-how. The Company believes that the R&D team will continue to discover new pipeline candidates targeting hematological cancers, solid tumors and autoimmune diseases. For the purpose of better utilizing the Unutilized Net Proceeds and allowing the Company to have more flexibility and efficiency in utilizing the funds towards researching and developing activities relating to pipeline candidates targeting hematological cancers, solid tumors and autoimmune diseases, other innovative pipeline candidates which may be discovered from time to time will be covered in the recategorized proposed uses of the Unutilized Net Proceeds. The Company has also determined that it is appropriate to allocate a portion of the Unutilized Net Proceeds to fund product discovery activities carried out by the R&D team to develop new therapy areas.
- As disclosed in the Prospectus, the Company is developing a set of new technologies and platforms to enable the next generation CAR-T product and manufacturing processes with a shorter production cycle time, higher quality, better product characterization and improved product efficacy and safety profile, at a lower cost. The Company believes that this will establish a foundation for its next-generation anti-CD19 CAR-T product, as well as other products in the pipeline. The manufacturing cost reduction strategies which were established in 2020 are part of the Company's initiative to develop a set of new technologies and platforms. Such manufacturing cost reduction strategies enabled the Company to reduce raw material and labor costs such that cost of sales per batch was reduced by 29.7% for the year ended December 31, 2023 as compared to the average cost of sales in 2021, when relma-cel was first commercialized. Furthermore, due to improved operation efficiency, general and administrative expenses and selling expense were reduced by 30.5% and 33.7%, respectively, for the year ended December 31, 2023 as compared to the year ended December 31, 2021. The Company is also exploring innovative approaches to simplification of its manufacturing process through non-viral methods and off-the-shelf CAR products. This strategic approach aims to deliver potent therapies to patients efficiently while managing costs.

- The Company therefore considers that reallocating a portion of the Unutilized Net Proceeds to the development of a set of new technologies and platforms, including optimization of manufacturing operations to potentially shorten production cycle time and exploration of new technologies for process improvement or new process platforms, will increase its profitability in the long run. Given the Company has commenced commercialization of Carteyva® in 2021, the Company is of the view that it has to allocate additional resources to optimization of manufacturing processes to expand profit at the early stage of commercialization.
- Moreover, based on a number of factors, including:
  - the Company's full utilization of the Net Proceeds originally allocated to research and development activities relating to relma-cel;
  - the need for further clinical development to bring relma-cel to commercialization as a second-line and first-line treatment for LBCL and as a third-line treatment for MCL and ALL, among others;
  - the need to continue driving full-scale commercialization of relma-cel to more fully capitalize on its market potential as a third-line treatment for LBCL and FL;
  - the significant market opportunity presented by relma-cel as a potential treatment for SLE and the need for clinical development to capitalize on that opportunity;
  - the successful completion of new in-licensing agreements with 2seventy bio and Juno, the level and anticipated timing of milestone payments due from the Company under such agreements and the level and anticipated timing of preclinical and clinical research expenses under such agreements;
  - the decision to focus on developing in-house product discovery capability; and
  - the Company's goal of improving its profitability by developing and upgrading technologies and platforms that could enable the manufacturing of next generation CAR-T products with a shorter production cycle time, higher quality, better product characterization and improved product efficacy and safety profile, at a lower cost.

the Company has determined that it is appropriate to reallocate a significant portion of the Unutilized Net Proceeds to (1) research and development activities relating to treatment of hematologic malignancies; (2) research and development activities relating to treatment of autoimmune diseases; and (3) developing and upgrading technologies, manufacturing platform capabilities and developing new therapy areas, and to adjust accordingly the portion of the Unutilized Net Proceeds that is allocated to other categories.

Further, the Company has fully utilized the Net Proceeds originally allocated for working capital and general corporate purposes. The manufacturing cost reduction strategies which were established in 2020 enabled the Company to reduce raw material and labor costs. Due to improved operation efficiency, general and administrative expenses and selling expense were reduced by 30.5% and 33.7%, respectively, for the year ended December 31, 2023 as compared to the year ended December 31, 2021. In order to enhance corporate cash flow and the flexibility of financial management of the Company so as to facilitate the growth of the Company's business and operation, the Company has resolved to reallocate HKD80.19 million, representing 9.84% of the Unutilized Net Proceeds, for working capital and general corporate purposes.

The Board has considered that, notwithstanding the change in use of the Unutilized Net Proceeds as stated above, the strategic direction of the Company is still in line with the disclosures that were made in the Prospectus. The Board confirms that there has been no material change in the nature of the Company's business as set out in the Prospectus, and the Board is of the view that the change in the use of the Net Proceeds is fair and reasonable, as this would allow the Company to deploy its financial resources more effectively to advance the pipeline products of the Company, and is therefore in the best interest of the Company and the Shareholders as a whole.

Except as disclosed above, there are no other proposed changes in the use of the Net Proceeds. The Unutilized Net Proceeds will be applied in a manner consistent with the above and remains subject to change based on the future development of market conditions and the Company's actual needs.

## MAJOR CUSTOMERS AND SUPPLIERS

### Major Customers

During the Reporting Period, the Group derived revenue from sales of our anti-CD19 autologous CAR-T cell immunotherapy product Carteyva®. For the year ended December 31, 2023, the Group's sales to its five largest customers accounted for 100% (2022: 100%) of the Group's total revenue and our single largest customer accounted for 100% (2022:100%) of the Group's total revenue.

### Major Suppliers

For the year ended December 31, 2023, the Group's five largest suppliers accounted for 25% (2022: 25%) of the Group's total purchases and our single largest supplier accounted for 8% (2022: 6%) of the Group's total purchases.

During the Reporting Period, 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 number of issued shares of the Company) 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 Company and the Group during the year ended December 31, 2023 are set out in note 14 to the consolidated financial statements.

## **SHARE CAPITAL**

Details of movements in the share capital of the Company during the year ended December 31, 2023 are set out in note 26 to the consolidated financial statements.

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the year ended December 31, 2023 are set out in the consolidated statement of changes in equity on page 132 of this annual report.

## **DISTRIBUTABLE RESERVES**

As at December 31, 2023, the Company's reserves available for distribution, amounted to approximately RMB1.1 billion (as at December 31, 2022: RMB1.9 billion).

## **TAXATION**

Tax position of the Company for the year ended December 31, 2023 is set out in note 12 to the consolidated financial information.

## **BANK LOANS AND OTHER BORROWINGS**

Particulars of bank loans and other borrowings of the Company and the Group as at December 31, 2023 are set out in note 31 to the consolidated financial statements.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as otherwise disclosed in this annual report, the Company has no other future plans for material investments or capital assets.

## DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report are:

### Executive Director

Dr. Yiping James Li (*Chairman*)

### Non-executive Directors

Ms. Xing Gao

Dr. Sungwon Song (*appointed on August 29, 2023*)

Dr. Cheng Liu

Dr. Krishnan Viswanadhan (*redesignated as independent non-executive Director on August 29, 2023*)

Dr. Ann Li Lee (*redesignated as independent non-executive Director on August 29, 2023*)

Mr. Jinyin Wang (*resigned on August 29, 2023*)

### Independent Non-executive Directors

Mr. Yiu Leung Andy Cheung

Mr. Kin Cheong Kelvin Ho

Dr. Debra Yu

Dr. Krishnan Viswanadhan (*redesignated from non-executive Director on August 29, 2023*)

Dr. Ann Li Lee (*redesignated from non-executive Director on August 29, 2023*)

Mr. Chi Shing Li (*resigned on January 1, 2023*)

In accordance with article 16.2 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with article 16.19 of the Articles of Association, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation and be eligible for re-election and re-appointment at every annual general meeting, provided that every Director shall be subject to retirement by rotation at least once every three years.

Accordingly, Dr. Yiping James Li, Dr. Krishnan Viswanadhan, Dr. Ann Li Lee, and Dr. Sungwon Song will retire and, being eligible, have offered themselves for re-election as Director at the forthcoming AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders dated April 26, 2024.

## **DIRECTORS AND SENIOR MANAGEMENT**

Biographical details of the Directors and senior management of the Company are set out on pages 40 to 45 of this annual report.

## **CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received an annual 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 throughout the year ended December 31, 2023 and remain so as of the date of this annual report.

## **DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT**

Directors with service contracts or appointment letters serve a three-year term and are subject to retirement by rotation and re-election pursuant to the Articles of Association and the Listing Rules. None of the Directors who are proposed for re-election at the annual general meeting has a service contract or appointment letter with the Company not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE**

None of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party for during the year ended December 31, 2023 and up to the date of this annual report.

## **CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS**

The Company has no controlling shareholder.

## **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 for the year ended December 31, 2023 and up to the date of this annual report.

## EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2023, we had 398 employees. The following table sets forth the total number of employees by function as at December 31, 2023:

	Number of Employees	% of total
Technical operations	144	36.2
Quality	71	17.8
Research and development	77	19.4
Commercial	69	17.3
Support functions and business development	37	9.3
<b>Total</b>	<b>398</b>	<b>100.0</b>

The total remuneration cost (including Directors' emoluments) incurred by the Group for the year ended December 31, 2023 was RMB308.2 million, as compared to RMB405.9 million for the year ended December 31, 2022.

The remuneration of the employees of the Group comprises salaries, bonuses, employees provident fund and social security contributions, other welfare payments and share-based compensation expenses. In accordance with applicable Chinese laws, the Group has made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for the Group's employees.

The Company has also adopted the Pre-IPO Incentivization Scheme, the Restricted Share Unit Schemes, the Post-IPO Incentivization Scheme and the Post-IPO Restricted Share Unit Scheme. Please refer to the section headed "Statutory and General Information — D. Share Incentivization Schemes" in Appendix V to the Prospectus for further details.

## PENSION AND EMPLOYEE BENEFITS SCHEME

Our employees' remuneration consists of salaries, bonuses, employees provident fund, and social security contributions, other welfare payments and share-based compensation expenses. In accordance with applicable PRC laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. Details of the retirement and employee benefits scheme of the Company are set out in note 10 to the consolidated financial statements.

## CHANGES IN DIRECTOR'S INFORMATION

Save as disclosed in the section headed "Directors and Senior Management" in this annual report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the 2023 interim report of the Company.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2023, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### Interest in Shares and underlying Shares

Name of Director	Capacity/nature of interest	Number of shares/ underlying shares	Approximate Percentage of Shareholding in the Company	Long position/ Short position/ Lending pool
Dr. Li <sup>(1)</sup>	Beneficial interest	18,623,515	4.52%	Long position
	Interest in controlled corporation	9,206,460	2.23%	Long position
Mr. Liu Cheng	Beneficial interest	5,764,582	1.40%	Long position

Notes:

- (1) Dr. Li held (i) 7,500,000 Shares through his direct interests in JDI Capital Management Limited and (ii) 1,706,460 Shares through his indirect interests in Park Place Capital Management & Consulting Limited. Park Place Capital Management & Consulting Limited is wholly-owned by JDI Capital Management Limited which in turn is wholly-owned by Dr. Li.

As at December 31, 2023, Dr. Li is interested in a total of 18,623,515 underlying Shares in the Company, which comprises 14,605,766 Restricted Share Units granted to him pursuant to the Restricted Share Unit Scheme and 4,017,749 share options granted to him pursuant to the Post-IPO Incentivization Scheme. As at December 31, 2023, out of the total number of Restricted Share Units and share options granted to Dr. Li, 1,265,726 Restricted Share Units and 1,004,437 share options were vested on April 1, 2023, and 1,770,014 Restricted Share Units and 2,008,875 share options granted to Dr. Li remain unvested.

Accordingly, Dr. Li is interested in an aggregate of 27,829,975 Shares in the Company.

- (2) The calculation is based on the total number of 412,395,634 Shares in issue as at December 31, 2023.

Save as disclosed above, as at December 31, 2023, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

As at December 31, 2023, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares/ underlying Shares	Approximate Percentage of Shareholding in the Company	Long Position/ Short Position/ Lending Pool
Juno <sup>(1)</sup>	Beneficial interest	70,231,140	17.03%	Long position
Celgene Corporation <sup>(1)</sup>	Interest in controlled corporation	70,231,140	17.03%	Long position
BMS <sup>(1)</sup>	Interest in controlled corporation	70,231,140	17.03%	Long position
Dr. Li <sup>(2)</sup>	Beneficial interest, interest in a controlled corporation	27,829,975	6.75%	Long position
Ms. Li Dan <sup>(3)</sup>	Interest of spouse	27,829,975	6.75%	Long position

### Notes:

- As at December 31, 2023, Juno directly held 70,231,140 Shares. Pursuant to the BCMA License Agreement, the 4,665,530 Juno Settlement Shares may be issued to Juno upon exercise of the second warrant as part of the second upfront payment in relation to Juno's orva-cel. In February 2021, BMS announced that it would discontinue clinical development of orva-cel and therefore, the 4,665,530 Juno Settlement Shares shall no longer be issued to Juno. Juno is wholly-owned by Celgene which is in turn wholly-owned by BMS. As such, under the SFO, BMS (through its interest in a controlled corporation) is deemed to be interested in 70,231,140 Shares held by Juno.
- As at December 31, 2023, Dr. Li held (i) 7,500,000 Shares through his direct interests in JDI Capital Management Limited and (ii) 1,706,460 Shares through his indirect interests in Park Place Capital Management & Consulting Limited. Park Place Capital Management & Consulting Limited is wholly-owned by JDI Capital Management Limited which in turn is wholly-owned by Dr. Li.

As at December 31, 2023, Dr. Li is interested in a total of 18,623,515 underlying Shares in the Company, which comprises 14,605,766 Restricted Share Units granted to him pursuant to the Restricted Share Unit Scheme and 4,017,749 share options granted to him pursuant to the Post-IPO Incentivization Scheme. As at December 31, 2023, out of the total number of Restricted Share Units and share options granted to Dr. Li, 1,265,726 Restricted Share Units and 1,004,437 share options were vested on April 1, 2023, and 1,770,014 Restricted Share Units and 2,008,875 share options granted to Dr. Li remain unvested.

Accordingly, Dr. Li is interested in an aggregate of 27,829,975 Shares in the Company.

- (3) Ms. Li Dan's spouse, Dr. Li, was interested in 27,829,975 Shares and therefore Li Dan is deemed to be interested in the same number of Shares.
- (4) The calculation is based on the total number of 412,395,634 Shares in issue as at December 31, 2023.

Save as disclosed above, as at December 31, 2023, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## SHARE INCENTIVIZATION SCHEMES

### Pre-IPO Incentivization Scheme

#### 1. Purpose

The purpose of the Pre-IPO Incentivization Scheme is to attract, retain and motivate employees, Directors and such other eligible persons and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees, directors and other persons to participate in the growth and profitability of the Group. Our Company adopted the Pre-IPO Incentivization Scheme on September 4, 2019.

#### 2. Participants

Eligible participants under the Pre-IPO Incentivization Scheme include any person belonging to any of the following classes of participants: (a) any of our employees or employees of our subsidiaries (whether full time or part time), including any executive director, (b) any of our non-executive director or independent non-executive director appointed prior to our listing, or any director of any of our subsidiaries; and (c) any other service provider to our Group who, in the sole opinion of the Board, will contribute or have contributed to our Group.

#### 3. Total number of shares available for issue

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Incentivization Scheme and the Pre-IPO Restricted Share Unit Scheme shall not, in aggregate exceed 36,031,500 Shares (subject to possible adjustments) which is a shared common pool, which represents approximately 8.74% of the total issued share capital of the Company as at December 31, 2023. The total number of Shares available for grant under the Pre-IPO Incentivization Scheme as at January 1, 2023 and December 31, 2023 was both 1,438,704. During the Reporting Period, the number of Shares that may be issued in respect of the options granted under the Pre-IPO Incentivization Scheme divided by the weighted average number of total Shares in issue was 0.84%. As at the date of this report, the total number of shares available for issue under the Pre-IPO Incentivization Scheme was 1,438,704, representing approximately 0.35% of the total Shares in issue.

**4. Maximum entitlement of each participant**

The maximum entitlement for each participant is that the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the “**Individual Limit**”). Any further grant of options to any one participant in excess of the Individual Limit shall be subject to the Shareholders’ approval in general meeting with such participant and his associates abstaining from voting.

**5. Period within which options may be exercised**

An option may be exercised in accordance with the terms of the Pre-IPO Incentivization Scheme at any time for a period of 10 years after the date of grant of the option for each corresponding grantee as set out in their respective offer letters.

**6. Vesting period**

Options granted generally vest over a four-year period. There are two types of vesting schedules: (i) with 30% of total options vesting on the second anniversary of the vesting commencement date and the remaining 30% and 40% shall vest on the third anniversary and fourth anniversary of the vesting commencement date, respectively; and (ii) with 25% of total options vesting on the first anniversary of the vesting commencement date and the remaining 25%, 25% and 25% shall vest on the second anniversary, third anniversary and fourth anniversary of the vesting commencement date, respectively.

**7. Grant of options and acceptance of offers**

Share options may be accepted by a grantee within a certain number of days from the date of the offer of the grant of the share options as indicated in the offer letter. The options under the Pre-IPO Incentivization Scheme were granted to the grantees at nil consideration.

**8. Exercise price**

The exercise price of all options granted under the Pre-IPO Incentivization Scheme is between US\$0.00001 and US\$0.655 per share.

**9. Duration**

The Pre-IPO Incentivization Scheme will remain in force for a period of ten years unless terminated sooner, and has a remaining term of approximately five years as at the date of this annual report.

Movement of the options, which were granted under the Pre-IPO Incentivization Scheme during the Reporting Period is as follows:

Name of Participant or Category of Participant	Date of grant	Number of options held at January 1, 2023	Number of options granted during the Reporting Period	Number of options lapsed	Number of options cancelled	Number of options exercised	Number of options held at December 31, 2023	Exercise Period	Exercise Price (HKD)	Weighted average closing price of the shares immediately before the dates on which the options were exercised	Fair value of options at the date of grant (USD)
										(HKD)	(USD)
<b>Other continuous</b>	04-09-2019	1,235,350	—	—	—	39,970	1,195,380	10 years	0.775	3.07	0.63
<b>contract employees</b>	04-09-2019	382,370	—	—	—	—	382,370	10 years	5.07625	3.65	0.33
	30-06-2020	1,060,660	—	70,550	—	218,560	771,550	10 years	0.000775	2.74	1.92
	10-09-2020	3,513,782	—	1,289,225	—	1,101,614	1,122,943	10 years	0.000078	2.57	2.43

Notes:

- (1) The closing prices of the Shares immediately before the dates on which the options were granted under the Pre-IPO Incentivization Scheme was not applicable as the Company was not yet listed on the dates of grant.
- (2) During the Reporting Period, no options were granted under the Pre-IPO Incentivization Scheme to any directors, chief executive, Substantial Shareholders of the Company (or their respective associates) or suppliers of goods and services. There were no participants with options granted in excess of the Individual Limit.
- (3) During the Reporting Period, no options were cancelled under the Pre-IPO Incentivization Scheme.
- (4) For details of the basis of measurement for the fair value of options granted, please refer to note 28 headed "Share-based payments" of the consolidated financial statements.

## Post-IPO Incentivization Scheme

### 1. Purpose

The purpose of the Post-IPO Incentivization Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Post-IPO Incentivization Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted. Our Company adopted the Post-IPO Incentivization Scheme on October 14, 2020.

## **2. Participants**

Eligible participants under the Post-IPO Incentivization Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of our Group and any advisors, consultants or service providers of any member of our Group who the Board considers, in its sole discretion, have contributed or will contribute to our Group.

## **3. Total number of shares available for issue**

The maximum number of Shares in respect of which options may be granted under the Post-IPO Share Incentivization Scheme shall not, in aggregate exceed 37,617,622 Shares (subject to possible adjustments), which represents approximately 9.12% of the total issued share capital of the Company as at December 31, 2023. The total number of Shares available for grant under the Post-IPO Share Incentivization Scheme as at January 1, 2023 and December 31, 2023 was 26,660,660 and 25,192,815, respectively. During the Reporting Period, the number of Shares that may be issued in respect of options granted under the Post-IPO Incentivization Scheme divided by the weighted average number of total Shares in issue was 2.50%. As at the date of this report, the total number of shares available for issue under the Post-IPO Incentivization Scheme was 25,192,815, representing approximately 6.08% of the total shares in issue.

## **4. Maximum entitlement of each participant**

The maximum entitlement for any one participant is that the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed the Individual Limit. Any further grant of options to any one participant in excess of the Individual Limit shall be subject to the Shareholders' approval in general meeting with such participant and his associates abstaining from voting.

## **5. Period within which options may be exercised**

An option may be exercised in accordance with the terms of the Post-IPO Incentivization Scheme at any time for a period of ten years after the date of grant of the option for each corresponding grantee as set out in their respective offer letters.

## **6. Vesting period**

Options granted generally vest over a four-year period. There are two types of vesting schedules: (i) with 30% of total options vesting on the second anniversary of the vesting commencement date and the remaining 30% and 40% shall vest on the third anniversary and fourth anniversary of the vesting commencement date, respectively; and (ii) with 25% of total options vesting on the first anniversary of the vesting commencement date and the remaining 25%, 25% and 25% shall vest on the second anniversary, third anniversary and fourth anniversary of the vesting commencement date, respectively.

## **7. Grant of options and acceptance of offers**

Share options may be accepted by a grantee within a certain number of days from the date of the offer of the grant of the share options as indicated in the offer letter. The options under the Post-IPO Share Incentivization Scheme were granted to the grantees at nil consideration.

## 8. Exercise price

The date of board meeting for proposing any grant of options under the Post-IPO Incentivization Scheme should be taken as the date of grant for the purpose of calculating the exercise price pursuant to Rule 17.03E of the Listing Rules.

## 9. Duration

The Post-IPO Incentivization Scheme will remain in force for a period of ten years unless terminated sooner, and has a remaining term of approximately five years as at the date of this annual report.

Movement of the options, which were granted under the Post-IPO Incentivization Scheme during the Reporting Period is as follows:

Name of Participant or Category of Participant	Date of grant	Closing price of shares immediately before the date on which the options were granted (HKD)	Number of options held at January 1, 2023	Number of options granted during the Reporting Period	Number of options lapsed	Number of options cancelled	Number of options exercised	Number of options held at December 31, 2023	Exercise Period	Exercise Price (HKD)	Weighted average closing price of the shares immediately before the dates on which the options were exercised (HKD)	Fair value of options at the date of grant (HKD)
<b>Directors</b>												
Dr. Li, CEO and executive Director	30-09-2021	14.74	4,017,749	—	—	—	—	4,017,749	10 years	—	3.65	6.928
		—	—	—	—	—	—	—	10 years	—	—	—
		—	—	—	—	—	—	—	10 years	—	—	—
<b>Other employee participants</b>												
	30-09-2021	14.74	2,125,534	—	155,318	—	—	1,970,216	10 years	16.2	3.39	6.928/7.336
	17-12-2021	11.36	754,254	—	71,304	405,479	—	277,471	10 years	11.992	2.15	5.472/5.779
	24-06-2022	8.26	2,212,866	—	422,029	—	—	1,790,857	10 years	8.94	3.65	4.588/4.818
	29-09-2022	3.25	660,001	—	—	—	—	660,001	10 years	3.31	—	1.578/1.676
	16-12-2022	4.34	41,667	—	—	—	—	41,667	10 years	4.83	—	2.058/2.194
	29-08-2023	6.35	—	1,467,845	—	—	—	1,467,845	10 years	2.46	—	1.54/1.57

Notes:

- (1) During the Reporting Period, no options were granted under the Post-IPO Incentivization Scheme to any directors, chief executive or Substantial Shareholders of the Company (or their respective associates) or suppliers of goods and services and there were no participants with options granted in excess of the Individual Limit.
- (2) For details of the basis of measurement for the fair value of options granted, please refer to note 28 headed "Share-based payments" of the consolidated financial statements.

## **Pre-IPO Restricted Share Unit Scheme and Post-IPO Restricted Share Unit Scheme (the “Restricted Share Unit Schemes”)**

### **1. Purpose**

The purpose of the Restricted Share Unit Schemes is to attract, retain and motivate employees, Directors and such other eligible persons and to provide a means of compensating them through the grant of RSUs for their contribution to the growth and profits of the Group, and to allow such employees, directors and other persons to participate in the growth and profitability of the Group. Our Company adopted the Pre-IPO Restricted Share Unit Scheme on September 4, 2019 and the Post-IPO Restricted Share Unit Scheme on October 14, 2020.

### **2. Participants**

Eligible participants under the Restricted Share Unit Schemes include any person belonging to any of the following classes of participants: (a) any of our employees or employees of our subsidiaries (whether full time or part time), including any executive director, (b) any of our non-executive director or independent non-executive director appointed prior to our listing, or any director of any of our subsidiaries; and (c) any other service provider to our Group who, in the sole opinion of the Board, will contribute or have contributed to our Group.

### **3. Total number of shares available for issue**

The maximum number of Shares in respect of which RSUs may be granted under the Pre-IPO Restricted Share Unit Scheme shall not, in aggregate exceed 36,031,500 Shares (subject to possible adjustments) which is a shared common pool with the Pre-IPO Incentivization Scheme, which represents approximately 8.74% of the total issued share capital of the Company as at December 31, 2023. The maximum number of Shares in respect of which RSUs may be granted under the Post-IPO Restricted Share Unit Scheme shall not, in aggregate exceed 7,539,449 Shares (subject to possible adjustments), which represents approximately 1.83% of the total issued share capital of the Company as at December 31, 2023.

The total number of Shares available for grant under the Pre-IPO Restricted Share Unit Scheme as at January 1, 2023 and December 31, 2023 were both 1,438,704. The total number of Shares available for grant under the Post-IPO Restricted Share Unit Scheme as at January 1, 2023 and December 31, 2023 were 1,956,180 and 1,065,262, respectively.

During the Reporting Period, the number of Shares that may be issued in respect of the RSUs granted under the Pre-IPO Restricted Share Unit Scheme and the Post-IPO Restricted Share Unit Scheme, divided by the weighted average number of total Shares in issue were 0.33% and 0.97%, respectively. As at the date of this report, the total number of shares available for issue under the Pre-IPO Restricted Share Unit Scheme and the Post-IPO Restricted Share Unit Scheme were 1,438,704 and 1,065,262, representing approximately 0.35% and 0.26% of the total shares in issue, respectively.

### **4. Maximum entitlement of each participant**

The maximum entitlement for each participant is that the total number of Shares issued and to be issued upon exercise of the RSUs granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed the Individual Limit. Any further grant of RSUs to any one participant in excess of the Individual Limit shall be subject to the Shareholders' approval in general meeting with such participant and his associates abstaining from voting.

## 5. Vesting period

RSUs granted generally vest over a four-year period. There are two types of vesting schedules: (i) with 30% of total options vesting on the second anniversary of the vesting commencement date and the remaining 30% and 40% shall vest on the third anniversary and fourth anniversary of the vesting commencement date, respectively; and (ii) with 25% of total options vesting on the first anniversary of the vesting commencement date and the remaining 25%, 25% and 25% shall vest on the second anniversary, third anniversary and fourth anniversary of the vesting commencement date, respectively.

## 6. Grant of RSUs and acceptance of offers

RSUs may be accepted by a grantee within a certain number of days from the date of the offer of the grant of the share options as indicated in the offer letter. The RSUs under the Restricted Share Unit Schemes were granted to the grantees at nil consideration and were or will be transferred to the grantees upon vesting at nil consideration.

## 7. Duration

The Restricted Share Unit Schemes will remain in force for a period of ten years unless terminated sooner, and has a remaining term of approximately five years as at the date of this annual report.

Details of RSUs granted under the Pre-IPO Restricted Share Unit Scheme during the Reporting Period are as follows:

Name of Participant or Category of Participant	Date of grant	Number of RSUs held at January 1, 2023	Number of RSUs granted during the Reporting Period	Number of RSUs lapsed	Number of RSUs cancelled	Number of RSUs exercised	Number of RSUs held at December 31, 2023	Weighted average closing price of the shares immediately before the dates on which the RSUs were vested (HKD)	Fair value of RSUs at the date of grant (USD)
<b>Directors</b>									
Dr. Li, CEO and executive Director	30-06-2020	1,522,880	—	—	—	761,440	761,440	3.65	1.92
Mr. Hans Edgar Bishop (resigned as a director on December 3, 2021 and remains as a senior advisor)	10-09-2020	—	—	—	—	—	—	—	2.43
<b>Other employee participants</b>									
	04-09-2019	3,750	—	3,750	—	—	—	3.65	0.73
	30-06-2020	711,540	—	61,900	—	307,690	341,950	4.00	1.92
	10-09-2020	472,674	—	—	—	231,449	241,225	2.60	2.43

Notes:

- (1) The closing prices of Shares immediately before the dates on which the RSUs were granted under the Pre-IPO Restricted Share Unit Scheme was not applicable as the Company was not yet listed on the dates of grant.
- (2) During the Reporting Period, no RSUs were granted under the Pre-IPO Restricted Share Unit Scheme to any directors, chief executive or Substantial Shareholders of the Company (or their respective associates) or suppliers of goods and services and there were no participants with RSUs granted in excess of the Individual Limit.
- (3) Exercise period and exercise price are not applicable to RSUs.
- (4) During the Reporting Period, no RSUs were cancelled under the Pre-IPO Restricted Share Unit Scheme.
- (5) For details of the basis of measurement for the fair value of RSUs granted, please refer to note 28 headed "Share-based payments" of the consolidated financial statements.

Details of RSUs granted under the Post-IPO Restricted Share Unit Scheme during the Reporting Period are as follows:

Name of Participant or Category of Participant	Date of grant	Closing price of shares immediately before the date on which the RSUs were granted (HKD)	Number of RSUs held at January 1, 2023	Number of RSUs granted during the Reporting Period	Number of RSUs lapsed	Number of RSUs cancelled	Number of RSUs exercised	Number of RSUs held at December 31, 2023	Weighted average closing price of the shares immediately before the dates on which the RSUs were vested (HKD)	Fair value of RSUs at the date of grant (HKD)
<b>Directors</b>										
Dr. Li, CEO and executive Director	30-09-2021	14.74	1,512,860	—	—	—	504,286	1,008,574	3.65	14.92
<b>Other employee participants</b>										
	30-09-2021	14.74	1,392,640	—	407,829	—	367,092	617,719	3.33	14.92
	17-12-2021	11.36	472,182	—	71,304	202,740	114,974	83,164	2.20	11.48
	24-06-2022	8.26	1,624,244	—	371,343	—	268,011	984,890	3.62	8.94
	29-09-2022	3.25	360,001	—	—	—	—	360,001	—	3.18
	16-12-2022	4.34	41,667	—	—	—	5,000	36,667	—	4.25
	29-08-2023	6.35	—	890,918	—	—	—	890,918	—	2.46

Notes:

- (1) During the Reporting Period, no RSUs were granted under the Post-IPO Restricted Share Unit Scheme to any directors, chief executive or Substantial Shareholders of the Company (or their respective associates) or suppliers of goods and services and there were no participants with RSUs granted in excess of the Individual Limit.
- (2) Exercise period and exercise price are not applicable to RSUs.
- (3) For details of the basis of measurement for the fair value of RSUs granted, please refer to note 28 headed "Share-based payments" of the consolidated financial statements.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company or any of its subsidiaries during the Reporting Period.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at December 31, 2023, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

## TAX RELIEF

The Directors are not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities.

## CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

For the year ended December 31, 2023, the Group had entered into connected transactions as set out below. For detailed terms of existing non-exempt continuing connected transactions and connected transactions of the Group, please refer to the section headed "Connected Transactions" in the Prospectus and the announcements of the Company dated December 20, 2022 and May 21, 2023.

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

### Vector Supply Agreement

#### *Principal terms*

Our Company entered into a vector supply agreement with Juno on May 19, 2023, pursuant to which we agree to procure viral vectors from Juno in connection with the clinical development and commercialization of relma-cel, subject to the terms and conditions therein (the "**Vector Supply Agreement**"). The Vector Supply Agreement is effective from the date when we obtains the requisite approval from the Shareholders (i.e. June 26, 2023) and will expire on the later of (i) December 31, 2025 or (ii) the completion of activities under project plans executed by the parties prior to December 31, 2025.

**Reasons for and benefits of the transactions**

Juno is a global leading company in the development of cell therapies. Juno procures viral vectors from independent contractors globally for both clinical stage developments as well as anticipated commercialization of its own pipeline products. Our lead product, relma-cel, is developed based on the CAR construct we in-licensed from Juno and share similar characteristics and requirements for viral vector supplies. Accordingly, Juno has been providing the Group with high quality and cost effective supply of viral vectors for our research and development and commercialization of relma-cel.

**Annual cap**

For the period commencing from June 26, 2023 and ended on December 31, 2023, the total amount payable by the Company to Juno under the Vector Supply Agreement is expected not to exceed approximately RMB76.8 million (equivalent to approximately US\$11.0 million). For the two years ending December 31, 2024 and 2025, the total amount payable by the Company to Juno under the Vector Supply Agreement is expected not to exceed approximately RMB137.6 million (equivalent to approximately US\$19.8 million) and approximately RMB220.1 million (equivalent to approximately US\$31.6 million), respectively.

During the year ended December 31, 2023, the total amount payable by our Group to Juno under the Vector Supply Agreement amounted to US\$3.77 million (equivalent to RMB26,257,000), which falls within the proposed annual cap as set out above.

**Listing Rules Implications**

As at December 31, 2023, the Company was directly owned as to 17.03% by Juno, Juno is therefore one of the Substantial Shareholders. Pursuant to Rule 14A.07(1) of the Listing Rules, Juno is a connected person of our Company. Therefore, the transactions contemplated under the Vector Supply Agreement constitute continuing connected transactions of the Company under the Listing Rules.

**Annual Review by the Independent Non-executive Directors and the Auditor**

The independent non-executive Directors and the auditor of the Company have reviewed the transactions in relation to the Vector Supply Agreement on an annual basis and confirmed the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively.

## License and Strategic Alliance Agreement with Juno

### **Principal terms**

The Company entered into the License and Strategic Alliance Agreement with Juno on December 13, 2017, pursuant to which the Company has the right of first negotiation to license or obtain the rights to Juno's engineered T-cell pipeline product candidates in the field of treatment or amelioration of cancer or auto-immune disorders for further development and commercialization in Mainland China, Hong Kong and Macau (the "**Territory**"). Juno also granted us an exclusive, sublicensable, transferable and fee-bearing license under Juno's interest in or Juno's license rights to certain patent rights and know-how, and a non-exclusive, sublicensable, transferable and fee-bearing license under certain patent rights and know-how covering Juno's platform technology, solely to research, develop, commercialize, and manufacture or have manufactured relma-cel in Mainland China, Hong Kong and Macau. For further details, please refer to the section headed "Business — Collaboration and License Agreements — License Agreements with Juno" in the Prospectus. In consideration of the rights granted to us, we are required to make various upfront, milestone, royalty payments and reimbursement to Juno and the Company has set caps for milestone payment, royalty payment and reimbursement under the License and Strategic Alliance Agreement (which does not affect the Company's payment obligations under the License and Strategic Alliance Agreement but merely set for the purpose of complying with the Listing Rules) as follows:

**Upfront payment** : The Company shall provide Juno upfront share-based payment by (i) issuing Series A1 Preferred Shares to Juno in Series A1 financing with an aggregate value of approximately US\$8.9 million and (ii) issuing such number of Series A2 Preferred Shares to Juno in Series A2 financing such that immediately following closing of the Series A2 financing, Juno will be the holder of such number of Shares, Series A1 Preferred Shares and Series A2 Preferred Shares that together represent an indirect ownership interest of 35% of all of the equity interests in JW Shanghai on a fully-diluted basis.

The Company made the above upfront payment by issuing 641,975 Series A1 Preferred Shares on February 23, 2018 and 3,316,825 Series A2 Preferred Shares to Juno on May 9, 2019. All such Series A1 Preferred Shares and Series A2 Preferred Shares were converted into ordinary shares upon Listing.

**Milestone payment** : The Company to provide Juno milestone payment in cash in an amount of US\$5 million based on earlier occurrence of (i) milestone events relating to certain regulatory approvals and (ii) treatment of 100 patients with relma-cel in clinical trials.

In 2021, the Company provided Juno milestone payment in cash in an amount of US\$5 million upon the completion of the treatment of 100 patients with relma-cel in clinical trials in January 2021.

**Royalty payment** : We are required to pay Juno royalty payments in cash for relma-cel and any related diagnostic products based on annual net sales in the Territory, subject to certain adjustments in specified circumstances under the License and Strategic Alliance Agreement.

For the year ended December 31, 2023, the total royalty payment was amounted to US\$1.48 million.

**Reimbursement** : We are required to pay to Juno in cash the sum of, among others, all milestone payments and royalties owed by Juno to third parties with respect to relma-cel and related diagnostic products in the Territory pursuant to in-license agreements existing at the time of such development or commercialization.

For the year ended December 31, 2023, no reimbursement was made by the Company to Juno.

**Caps for milestone payment, royalty payment and reimbursement** : The annual cap set for the milestone payment to be paid to Juno pursuant to the License and Strategic Alliance Agreement for the year ended December 31, 2023 was nil as no milestone payment was expected to be payable during the year.

*(Note 1)*

The annual cap for royalty payment and reimbursement to be paid to Juno pursuant to the License and Strategic Alliance Agreement for 2021, 2022 and 2023 will be determined in accordance with the following formula:

Annual cap for royalty payment and reimbursement = 16% × annual net sales of the relevant products

(1) The caps do not affect the Company's payment obligations under the License and Strategic Alliance Agreement and are merely set for the purpose of complying with the Listing Rules.

The License and Strategic Alliance Agreement became effective on December 13, 2017 and continues until the later of (i) the expiration or termination of all then existing Juno pipeline product licenses; or (ii) the expiration of the royalty term. The royalty term applies on a product-by-product and country-by-country basis commencing upon the first commercial sale of relma-cel or a related diagnostic product in the Territory, with the end date varying depending on the type of royalty owed to Juno. It may also be terminated earlier by mutual agreement, by either party for the other party's uncured material breach that has frustrated the fundamental purpose of this agreement, upon our or JW Shanghai's dissolution, by either party upon the bankruptcy of the other party, or by Juno if either party receives notice from the relevant regulatory authority alleging significant concerns regarding a patient safety issue that Juno reasonably believes would seriously impact the long-term viability of relma-cel. For further details of the License and Strategic Alliance Agreement, please refer to the section headed "Business — License Agreements with Juno — Rights In-licensed from Juno — Relma-cel" in the Prospectus.

### ***Reasons for and benefits of the transactions***

As the Company is a clinical and pre-clinical stage cell therapy company in the early stages of development, the licenses, technologies and know-how granted by Juno are essential to our development process. Juno and our Company established a strategic alliance to utilize Shanghai Ming Ju to conduct clinical trials in connection with the research, development, manufacturing and commercialization of certain cellular therapy products, including relma-cel, in China.

The royalty payment is a revenue sharing arrangement which was determined after arm's length negotiations between us and Juno, taking into account that it is common practice to share future sales revenue and proceeds from transfer of sub-licensing rights which in turn lowers the upfront fixed payment payable by the licensee in the Chinese biopharmaceutical market, according to Frost & Sullivan.

### ***Listing Rules Implications and Waivers from the Stock Exchange under the License and Strategic Alliance Agreement with Juno***

As at December 31, 2023, the Company was directly owned as to 17.03% by Juno, Juno is therefore one of the Substantial Shareholders. Pursuant to Rule 14A.07(1) of the Listing Rules, Juno is a connected person of our Company. Therefore, the transactions contemplated under the License and Strategic Alliance Agreement with Juno constitute continuing connected transactions of the Company under the Listing Rules.

The Stock Exchange has granted the waiver from strict compliance with the requirement under Rule 14A.53 of the Listing Rules in respect of the continuing connected transactions under the License and Strategic Alliance Agreement and such waiver was set for a term of three years ending on December 31, 2022. In July, 2022, the Company has applied for, and the Stock Exchange has granted the Company, an extension to such waiver, covering the period from January 1, 2023 to August 31, 2024, subject to the following conditions:

- (1) the Company will comply with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the License and Strategic Alliance Agreement;
- (2) the Company will designate a team to execute and ensure that the transactions in relation to the License and Strategic Alliance Agreement are undertaken in accordance with the terms therein;

- (3) the Company's CEO, Dr. Li, will use his best endeavours to supervise the compliance with the terms of the License and Strategic Alliance Agreement and applicable Listing Rules requirements to the extent not waived by the Stock Exchange on a regular basis;
- (4) the independent non-executive Directors and the auditor of the Company will review the transactions in relation to the License and Strategic Alliance Agreement on an annual basis and confirm in our annual reports the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively;
- (5) the Company will disclose in the announcement the background for entering into the License and Strategic Alliance Agreement, the terms of the License and Strategic Alliance Agreement, the grounds for the waiver sought and the Directors' views on the fairness and reasonableness of the transactions under the License and Strategic Alliance Agreement;
- (6) after three years from the commencement of the commercial sales of relma-cel and related diagnostic products, our Company will set monetary caps by making announcement(s) (where appropriate) for the purpose of Rule 14A.53 of the Listing Rules; and such transaction will be subject to, among others, circular and independent shareholders' approval requirements if the highest applicable percentage ratio is more than 5%. In addition, the Company will disclose in its annual report a clear description of the basis for calculating the fees payable to Juno under the License and Strategic Alliance Agreement and any changes to such basis would be subject to independent shareholders' approval;
- (7) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of the Prospectus on the above continuing connected transactions, the Company will take immediate steps to ensure compliance with such new requirements;
- (8) apart from complying with reporting, announcement and independent Shareholders' approval requirements, setting a term of not exceeding three years and setting fixed monetary annual cap for which waivers are sought, our Company will comply with other requirements under Chapter 14A of the Listing Rules;
- (9) the entering into the License and Strategic Alliance Agreement with Juno, as long as Juno remains as the connected person of the Company, will comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirement under Chapter 14A of the Listing Rules; and
- (10) if there is any material deviation on the arrangement under the License and Strategic Alliance Agreement and the Company has more certainty on the expected milestone, the Company will re-apply for a cap in compliance with Chapter 14A of the Listing Rules.

After taking into account, among other things, the addressable market, the drug pricing and the historical transaction amount of the relevant products, the Company has applied to the Stock Exchange to extend the existing waiver.

#### ***Annual Review by the Independent Non-executive Directors and the Auditor***

The independent non-executive Directors and the auditor of the Company have reviewed the transactions in relation to the License and Strategic Alliance Agreement on an annual basis and confirmed the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively.

### BCMA License Agreement with Juno

#### **Principal terms**

The Company entered into a license agreement with Juno on April 11, 2019 pursuant to which Juno granted the Company an exclusive, sublicensable, transferable and fee-bearing license under certain patent rights and know-how covering Juno's platform technology, solely to research, develop, commercialize, and manufacture or have manufactured JWCAR129, or related diagnostic products, in the JWCAR129 Field in the Territory. For further details, please refer to the section headed "Business -Collaboration and License Agreements — License Agreements with Juno" in the Prospectus. In consideration of the rights granted to us, we are required to make various upfront, milestone, royalty payments and reimbursement to Juno and the Company has set caps for milestone payment, royalty payment and reimbursement under the BCMA License Agreement (which does not affect the Company's payment obligations under the BCMA License Agreement but merely set for the purpose of complying with the Listing Rules) as follows:

**Upfront payment** : The Company shall provide Juno upfront payment comprising of (i) issuing 466,553 Series X Preferred Shares to Juno shortly after closing of Series A2 financing and (ii) issuing 4,665,530 (as adjusted after the Share Subdivision) Shares at nil consideration by June 11, 2022 if no product failure as defined in the BCMA License Agreement has occurred prior to April 2022, being to the third anniversary of the date of the BCMA License Agreement.

The Company has issued 466,553 Series X Preferred Shares to Juno on November 20, 2019 under (i) above and in February 2021, BMS announced that it would discontinue clinical development of orva-cel and therefore, no Shares shall longer be issued under item (ii) above. All such Series X Preferred Shares were converted into ordinary shares upon Listing.

**Milestone payment** : The Company shall provide Juno milestone payments in cash in an aggregate amount of up to US\$35 million which are contingent on the occurrence of (i) milestone events relating to obtaining regulatory approvals for JWCAR129 and (ii) a milestone event relating to sales in the Territory relating to JWCAR129.

For the year ended December 31, 2023, no milestone payment has been made by the Company to Juno.

**Royalty payment** : We are required to pay Juno royalty payments in cash for JWCAR129 and any related diagnostic products based on annual net sales in the Territory, subject to certain adjustments in specified circumstances under the BCMA License Agreement.

For the year ended December 31, 2023, no royalty payment was made by the Company to Juno.

**Reimbursement** : We are required to pay to Juno in cash the sum of, among others, all milestone payments and royalties owed by Juno to third parties with respect to JWCAR129 and related diagnostic products in the Territory pursuant to in-license agreements existing at the time of such development or commercialization.

For the year ended December 31, 2023, no reimbursement was made by the Company to Juno.

**Caps for milestone payment, royalty payment and reimbursement** : The annual cap set for the milestone payments to be paid to Juno pursuant to the BCMA License Agreement for the year ended December 31, 2023 was nil as no milestone payments were expected to be payable during this period of development.  
(Note 1)

Taking into account that setting annual cap formula may not be meaningful for JWCAR129 which is currently under pre-clinical development, the annual cap set for the royalty payment and reimbursement to be paid to Juno pursuant to the BCMA License Agreement was nil for the year ended December 31, 2023.

(1) The caps do not affect the Company's payment obligations under the BCMA License Agreement and are merely set for the purpose of complying with the Listing Rules.

The BCMA License Agreement became effective on April 11, 2019 and will remain in effect and until the expiration of the royalty term. The royalty term applies on a product-by-product and country-by-country basis commencing upon the first commercial sale of JWCAR129 or a related diagnostic product in the Territory, with the end date varying depending on the type of royalty owed to Juno. It may also be terminated earlier by mutual agreement, by either party for the other party's uncured material breach that has frustrated the fundamental purpose of this agreement, upon our or JW Shanghai's dissolution, by either party upon the bankruptcy of the other party, by Juno if either party receives notice from the relevant regulatory authority alleging significant concerns regarding a patient safety issue that Juno reasonably believes would impact the long-term viability of JWCAR129 if attributable to the CAR construct licensed from Juno, by Juno if the additional preferred shares are not issued by the timeline set forth in the BCMA License Agreement, or by us for Juno's termination, suspension, or clinical hold of development in the United States of the licensed CAR construct related to JWCAR129 for longer than 180 days. For further details of the BCMA License Agreement, please refer to the section headed "Business — License Agreements with Juno — Rights In-licensed from Juno — BCMA License Agreement" in the Prospectus.

### **Reasons for and benefits of the transactions**

As the Company established a stable strategic alliance with Juno, it entered into the BCMA License Agreement to develop JWCAR129 further strengthen such alliance and expand the Company's pipeline products.

The royalty and milestone payment is a revenue sharing arrangement which was determined after arm's length negotiations between us and Juno, taking into account that it is common practice to share future sales revenue and proceeds from transfer of sub-licensing rights which in turn lowers the upfront fixed payment payable by the licensee in the Chinese biopharmaceutical market, according to Frost & Sullivan.

### **Listing Rules Implications and Waivers from the Stock Exchange under the BCMA License Agreement**

As at December 31, 2023, the Company was directly owned as to 17.03% by Juno, Juno is therefore one of the Substantial Shareholders. Pursuant to Rule 14A.07(1) of the Listing Rules, Juno is a connected person of our Company. Therefore, the transactions contemplated under the BCMA License Agreement with Juno constitute continuing connected transactions of the Company under the Listing Rules.

Under Rule 14A.52 of the Listing Rules, a listed issuer is required to set a contractual term not exceeding three years. It is impracticable and extremely difficult for us to set a contractual term not exceeding three years in respect of the BCMA License Agreement. Therefore, the Company applied to the Stock Exchange for, and the Stock Exchange has granted to the Company, a waiver under Rule 14A.52 of the Listing Rules from strict compliance with the contractual term requirements.

The Company has applied for a waiver from strict compliance with the requirement under Rule 14A.52 of the Listing Rules to set a term of not exceeding three years under the BCMA License Agreement for the following reasons:

- (1) the business of research, development, production and commercialization of drug candidates underlying the BCMA License Agreement is the nature of the transaction that requires a longer contractual term. If the renewal of the BCMA License Agreement is subject to the requirements of independent shareholders' approval every three years, even in the absence of any material amendment, change, rescission or re-signing of these agreements, we may face the unnecessary and substantial risks of failing to renew such agreement upon expiry and losing our competitive advantages. This may even prevent us from carrying on our businesses, bringing uncertainty to our continued operation;

- (2) maintaining a long-term, exclusive cooperative relationship with Juno under the BCMA License Agreement is critical to our businesses and developments. The scale of the Chinese biopharmaceutical markets in China is huge. Juno specializes in research, development, production and commercialization of CAR-T product candidates. Our continuous business relationship with Juno provides a strategic advantage for us to expand our drug portfolio covering treatment of immunological diseases to maintain our competitiveness. In addition, the exclusive term to cooperate with Juno under the BCMA License Agreement safeguard the interests of our Company and our Shareholders as a whole by providing our Company with exclusivity in the relevant areas of business. Therefore, a contractual arrangement of indefinite term is necessary and critical to the sustainability of our business and to ensure our smooth and continued operations and also stable revenue and cash flows from the future commercialization of JWCAR129 in terms of indications related to immunological diseases. Subjecting the BCMA License Agreement to independent shareholders' approval will expose our Company to the risks of such agreements not being able to be renewed upon the expiry of a fixed term. This will give rise to unnecessary and substantial uncertainty to our business and therefore will not be in the best interests of our Company and our Shareholders as a whole;
- (3) setting a term of not exceeding three years under the BCMA License Agreement will unduly hinder our development and operation. We engage in the research, development, manufacturing and commercialization of CAR-T product candidates for the treatment of immunological diseases. We rely on the revenue and profits derived from the commercialization of our drug candidates in the upcoming future. A three-year term on the transaction amount under the BCMA License Agreement will place an arbitrary ceiling on our future revenue, hence effectively limiting the scale of our business to meet market demands, which will unduly hinder our development and our ability to grow and create value for all of our Shareholders;
- (4) the BCMA License Agreement is of an indefinite term longer than three years as otherwise normally permitted for the continuing connected transactions under the Listing Rules. Our Directors consider that the terms of the BCMA License Agreement are consistent with normal business practices for agreement of similar nature in the biotechnology pharmaceutical industry and are in the best interest of our Group and our Shareholders as a whole, because (i) the indefinite term of the BCMA License Agreement can secure long-term license rights for us, thus avoiding unnecessary disruptions to our business and enable long-term development and continuity of our operations and (ii) as confirmed by Frost & Sullivan, it is not uncommon in the biotechnology pharmaceutical industry where similar long-term licensing arrangements are adopted;
- (5) the performance of the BCMA License Agreement with Juno will comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirement under Chapter 14A of the Listing Rules; and
- (6) if there is any material deviation on the arrangement under the BCMA License Agreement and the Company has more certainty on the expected milestones, the Company will re-apply for a cap in compliance with Chapter 14A of the Listing Rules.

### **Annual Review by the Independent Non-executive Directors and the Auditor**

The independent non-executive Directors and the auditor of the Company have reviewed the transactions in relation to the BCMA License Agreement on an annual basis and confirmed the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively.

### **License and Collaboration Agreement with Juno**

#### **Principal terms**

The Company entered into a license and collaboration agreement with Juno on December 19, 2022 (the “**DLL3 License and Collaboration Agreement**”) pursuant to which Juno granted the Company an exclusive, sublicensable, transferable and fee-bearing license under certain patent rights and know-how covering Juno’s platform technology, solely to research, develop, commercialize, and manufacture or have manufactured a specific CAR-T product specifically directed to DLL3 (“**DLL3 Product**”), or related diagnostic products, in Greater China (which for the purposes of the DLL3 License and Collaboration Agreement consists of mainland China, Hong Kong and Macau but excludes Taiwan). For further details, please refer to the announcement of the Company dated December 20, 2022.

The Company grants to Juno an exclusive right, exercisable in Juno’s sole discretion, to co-commercialize the Product and related diagnostic products with the Company in Greater China (the “**Opt-In Right**”). If Juno exercises the Opt-In Right, the Company and Juno shall co-commercialise the DLL3 Product and related diagnostic products and shall share equally the profits and losses. Juno shall make a one-time payment to the Company which will not in any event exceed US\$50 million in aggregate. No milestone payments or royalty payments will be due from the Company to Juno in connection with the DLL3 Product and related diagnostic products.

In consideration of the rights granted to us, if Juno does not exercise the Opt-In Right, the Company is required to make various milestone, royalty payments and reimbursement to Juno and the Company has set caps for royalty payment and reimbursement under the DLL3 License and Collaboration Agreement (which does not affect the Company’s payment obligations under the DLL3 License and Collaboration Agreement but merely set for the purpose of complying with the Listing Rules) as follows:

**Milestone payment** : The Company shall provide Juno a milestone payment and reimbursements of milestone payments owed by Juno to third parties with respect to the development or commercialisation of the DLL3 Product in Greater China pursuant to in-license agreements existing at the time of such development or commercialisation in an aggregate amount of up to US\$35 million.

For the year ended December 31, 2023, no milestone payment has been made by the Company to Juno.

**Royalty payment** : The Company is required to pay Juno tiered royalty payments on annual net sales of the DLL3 Product and reimburse to Juno all royalty payments owed by Juno to third parties with respect to the development or commercialization of the Product in Greater China pursuant to in-license agreements existing at the time of such development or commercialization.

For the year ended December 31, 2023, no royalty payment and reimbursement were made by the Company to Juno.

**Caps for royalty payments and reimbursements** : The aggregate amount of royalty payments and reimbursements (being the amount payable by Juno to third parties) with respect to the development and commercialization of the DLL3 Product will not in any event exceed 16% of annual net sales of the DLL3 Product in Greater China.  
(Note 1)

Moreover, the Company shall pay royalty payments and reimbursements to Juno with respect to the aggregate annual net sales of any related diagnostic products in Greater China. The aggregate amount of such royalty payments and reimbursement (being the amount payable by Juno to third parties) will not in any event exceed 11% of annual net sales of such related diagnostic products in Greater China.

(1) The caps do not affect the Company's payment obligations under the DLL3 License and Collaboration Agreement and are merely set for the purpose of complying with the Listing Rules.

The DLL3 License and Collaboration Agreement became effective on January 17, 2023 and will remain in effect and until the expiration of the royalty term, unless earlier terminated in accordance with the terms of the License and Collaboration Agreement or by mutual written agreement of the parties. The royalty term with respect of the product and/or related Juno diagnostic product will begin on the first commercial sale of the product in Greater China and end upon the later of: (a) the expiration of the last-to-expire valid claim of the patents licensed to the Company that covers the composition of matter or method of use of the product; and (b) the 10th anniversary of the date of the first commercial sale of the product in Greater China. For further details of the DLL3 License and Collaboration Agreement, please refer to the announcement of the Company dated December 20, 2022.

### **Reasons for and benefits of the transactions**

The Company has established a close cooperative relationship with Juno, and continuation of this relationship with Juno is critical to the Company's business and development. For the Company to continue to execute on its business strategy to focus on potential opportunities in the cell therapy space that it deems to possess high growth or breakthrough technology potential, it is critical that the Company be able to leverage its CAR-T research, development, manufacturing and commercialization strengths in order to build on the foundation of this established relationship with Bristol Myers Squibb, which is one of the few pharmaceutical companies in the world with a track record of completing CAR-T commercialization, and is a much-preferred partner of the Company.

The Company has selected DLL3 as the target of its new CAR-T therapy because DLL3 is widely expressed in a variety of malignant tumors, and increased DLL3 expression is associated with later stage disease. DLL3 has been validated as a target in a type of solid tumor in several different platforms, but most have had limited results.

The Company believes that the right CAR construct and use of T cells is necessary to see durable responses. The Company has selected a DLL3 construct produced by Juno because the pre-clinical data are promising, robust and trusted, and the Company believes that the Licensed Construct is more likely to provide low toxicity and a high level of killing of targets with lower level target expression. Other pharmaceutical companies are seeking to develop treatments for the said type of solid tumor that are directed to DLL3. However, no clear front-runner has emerged to date. Accordingly, the Company believes that a CAR-T therapy directed to DLL3 for the treatment of the said type of solid tumor has significant potential.

### ***Listing Rules Implications and Waivers from the Stock Exchange under the DLL3 License and Collaboration Agreement***

As at December 31, 2023, the Company was directly owned as to 17.03% by Juno, Juno is therefore one of the Substantial Shareholders. Pursuant to Rule 14A.07(1) of the Listing Rules, Juno is a connected person of our Company. Therefore, the transactions contemplated under the DLL3 License and Collaboration Agreement with Juno constitute continuing connected transactions of the Company under the Listing Rules.

Under Rule 14A.52 of the Listing Rules, the period of an agreement for a continuing connected transaction must be fixed. However, the term of the DLL3 License and Collaboration Agreement is of an indefinite nature as it will, unless terminated in accordance with its terms, remain in effect. It is impracticable and extremely difficult for us to set a contractual term not exceeding three years in respect of the DLL3 License and Collaboration Agreement. Therefore, the Company applied to the Stock Exchange for, and the Stock Exchange has granted to the Company, a waiver under Rule 14A.52 of the Listing Rules from strict compliance with the contractual term requirements.

The Company has also applied for a waiver from strict compliance with the requirement under Rule 14A.53 of the Listing Rules to set monetary caps in relation to the (i) the royalties and profit-sharing payments to be made by the Company to Juno; and (ii) certain development costs/loss-sharing payments to be made by Juno to the Company contemplated under the DLL3 License and Collaboration Agreement for the following reasons:

- (i) the revenue to be derived from the sale of the DLL3 Product depends on the actual addressable market for the DLL3 Product, which will in turn depend on various factors over which the Company has no control, including the feasibility and subsequent success of the relevant clinical trials which could be affected by the number of eligible patients and their actual health conditions, suitability and willingness to participate at the time when the relevant clinical trials are initiated, acceptance of the DLL3 Product by the medical community, patient access and biologics product pricing based on market demand; and

- (ii) the DLL3 Product shall be an innovative or, based on the Company's understanding, the first CAR-T product of its type within the PRC if successfully developed. Similarly, the DLL3 License and Collaboration Agreement is currently in a pre-mature stage and the Company is not in a position to give an accurate estimate of certain financial information, including projections of sales figures, costs of clinical trials, revenue forecasts and product pipeline details. Therefore, the Company does not have sufficient or reliable information (including but not limited to historical sales figures) and market references to enable it to provide meaningful estimates of monetary caps.

The waiver is subject to the following conditions:

- (1) in the event that sufficient financial and/or historical data in relation to the commercialization of the Product could be obtained by the end of an initial term ending on December 31, 2030 (the "**Initial Term**"), the Company will duly re-comply with the annual caps requirements after the Initial Term in accordance with Rule 14A.53 of the Listing Rules;
- (2) if the commercialization of the Product takes place earlier than the Company's current estimation, the Company shall set monetary caps by making announcement (where appropriate) for the purpose of Rule 14A.53 of the Listing Rules after three years from the commencement of the sales of the Product and the Juno Diagnostic Products; and such transaction shall be subject to, among others, circular and independent shareholders' approval requirements if the highest applicable percentage ratio is more than 5%. In addition, the Company shall disclose in its annual report the basis for calculating the fees payable to Juno under the License and Collaboration Agreement and any changes to such basis would be subject to Independent Shareholders' approval;
- (3) the Company will comply with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the License and Collaboration Agreement;
- (4) the Company will designate a team to execute and ensure that the transactions in relation to the License and Collaboration Agreement are undertaken in accordance with the terms therein;
- (5) the Company's chief executive officer, Dr. Li, will use his best endeavor to supervise the compliance with the terms of the License and Collaboration Agreement and applicable Listing Rules requirements to the extent not waived by the Stock Exchange on a regular basis;
- (6) the independent non-executive Directors and the auditors of the Company will review the transactions in relation to the License and Collaboration Agreement on an annual basis and confirm in the Company's annual reports the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively;
- (7) the Company will disclose in the announcement and circular the background for entering into the License and Collaboration Agreement, the terms of the License and Collaboration Agreement, the grounds for the waiver sought and the Directors' and Independent Financial Advisors' views on the fairness and reasonableness of the transactions under the License and Collaboration Agreement;

- (8) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of the announcement and circular on the above continuing connected transactions, the Company will take immediate steps to ensure compliance with such new requirements;
- (9) apart from setting a term of not exceeding three years and setting fixed monetary annual cap for which waivers are sought, the Company will comply with other requirements under Chapter 14A of the Listing Rules; and
- (10) the entering into the License and Collaboration Agreement with Juno, as long as Juno remains as a connected person of the Company, will comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **Annual Review by the Independent Non-executive Directors and the Auditor**

The independent non-executive Directors and the auditor of the Company have reviewed the transactions in relation to the DLL3 License and Collaboration Agreement on an annual basis and confirmed the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively.

### **Contractual Arrangements**

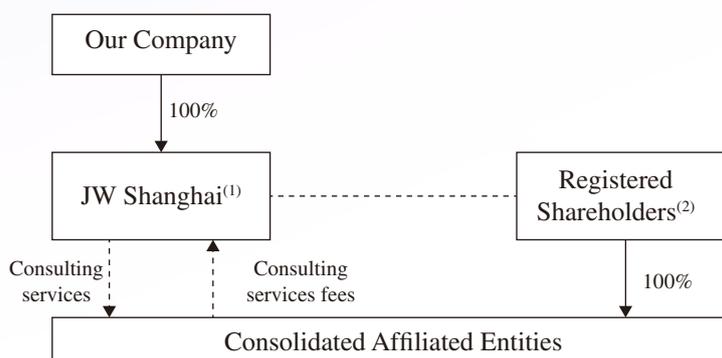
#### **Reasons for Adopting the Contractual Arrangements**

Foreign investment activities in the PRC now are mainly governed by the Industry Guidelines on Encouraged Foreign Investment (2020) (《鼓勵外商投資產業目錄(2020年版)》), the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020) (《外商投資准入特別管理措施(負面清單)(2021年版)》) and the Special Administrative Measures (Negative List) for foreign investment access in the pilot free trade zone (2021) (《自由貿易試驗區外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Relevant PRC Regulations**”), promulgated jointly by the Ministry of Commerce of the PRC (中華人民共和國商務部) and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會), pursuant to which the industries listed therein are divided into three categories in terms of foreign investment, namely, “encouraged” “restricted” and “prohibited”. According to the Relevant PRC Regulations, foreign investment is prohibited in the development and application of gene diagnostic and therapeutic technologies.

Our Group engages in the clinical trial of CAR-T therapies (the “**Relevant Businesses**”), which involve the development and application of gene diagnostic and therapeutic technologies, and the latter falls into the “prohibited” category of the Relevant PRC Regulations. As such, we currently do not directly or indirectly hold any equity interest in our Consolidated Affiliated Entities which are involved in the Relevant Businesses.

In order to comply with the PRC laws and regulations and maintain effective control over the Relevant Businesses, we, through our wholly-owned subsidiary, JW Shanghai, entered into the Contractual Arrangements with Shanghai Ju Ming and its relevant shareholders, pursuant to which JW Shanghai acquired effective control over the financial and operational policies of our Consolidated Affiliated Entities and has become entitled to all the economic benefits derived from their operations.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



Notes:

“→” denotes legal and beneficial ownership in the equity interest.

“- ->” denotes contractual relationship through the Exclusive Business Cooperation Agreements.

“- -” denotes the control by JW Shanghai over our Consolidated Affiliated Entities through (i) powers of attorney to exercise all shareholders’ rights in Shanghai Ju Ming; (ii) exclusive options to acquire all or part of the equity interest and/or assets in our Consolidated Affiliated Entities; and (iii) equity pledges over the equity interest in Shanghai Ju Ming.

- (1) As of December 31, 2023, JW Shanghai was wholly-owned by JW (Hong Kong) Therapeutics Limited which was in turn wholly-owned by our Company.
- (2) As of December 31, 2023, Shanghai Ju Ming was held by its Registered Shareholders, as to 50% by Mr. Xin Fu (the former chief financial officer of the Company who resigned on December 15, 2023) and 50% by Ms. Xing Gao, respectively.
- (3) Due to the resignation and departure of Ms. Jing Lv in September 2021, one of the shareholders of Shanghai Ju Ming changed from Ms. Jing Lv to Mr. Xin Fu (our former chief financial officer who resigned on December 15, 2023), a member of the senior management of our Group. The former contractual arrangement that relate to Ms. Jing Lv were terminated and a series of new contractual arrangements were entered into with Mr. Xin Fu (our former chief financial officer who resigned on December 15, 2023), which their terms and conditions substantially the same as those of the former contractual arrangements, save for the identity of the new shareholder of Shanghai Ju Ming.

A brief description of the specific agreements that comprise the Contractual Arrangements is set out below. For details of the specific agreements, please refer to the section headed “Contractual Arrangements” in the Prospectus.

#### (1) Exclusive Business Cooperation Agreements

JW Shanghai and Shanghai Ju Ming entered into the exclusive business cooperation agreement on November 2, 2017 and the supplemental exclusive business cooperation agreements on July 29, 2020 and on September 15, 2020 (collectively, the “**Exclusive Business Cooperation Agreements**”), pursuant to which our Consolidated Affiliated Entities agreed to engage JW Shanghai as its exclusive provider of technical support, consulting services, and other related services, including but not limited to (i) software and technology licensing, (ii) technical services, (iii) network support, (iv) human resource support, (v) collection and research of technology and market information, (vi) business and management consultation, (vii) marketing and promotional services, (viii) development and testing of new products, (ix) equipment or properties leasing; and (x) other related services requested by our Consolidated Affiliated Entities from time to time to the extent permitted under PRC law.

Pursuant to the Exclusive Business Cooperation Agreements, the service fee shall be paid on annual basis or any other timing as separately agreed between JW Shanghai and our Consolidated Affiliated Entities. The annual service fees shall consist of a management fee and a fee for services provided, which shall be reasonably determined by JW Shanghai based on certain factors, including, among other things, complexity and difficulty of such services, time commitment to such services, actual service scope, the market price of the same type of services and the operation conditions of Consolidated Affiliated Entities. In addition, the service fee shall be at a reasonable level in accordance with the nature of the services and shall consist of 100% of the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. Apart from the service fee, if JW Shanghai transfers, licenses or develops technology for our Consolidated Affiliated Entities, or leases equipment or properties to our Consolidated Affiliated Entities, such fee shall be determined by JW Shanghai and our Consolidated Affiliated Entities separately. For the year ended December 31, 2023, no service fee was made by the Consolidated Affiliated Entities to JW Shanghai.

### (2) Powers of Attorney

JW Shanghai and Shanghai Ju Ming entered into, with Ms. Xing Gao the power of attorney and the supplemental power of attorney on July 29, 2020, and with Mr. Xin Fu (former chief financial officer of the Company who resigned on December 15, 2023) the power of attorney on September 9, 2021 (collectively, the “**Powers of Attorney**”). Pursuant to the Powers of Attorney, each of the Registered Shareholders irrevocably and exclusively grant JW Shanghai or its designee(s) (being the directors or senior management of JW Shanghai’s direct or indirect offshore parent company and liquidators and other successors replacing such directors or senior management) the power to exercise all rights of the Registered Shareholders as set out in the then-valid articles of association of Shanghai Ju Ming and relevant laws and regulations, including but not limited to the rights:

- (i) to convene and attend shareholders’ meeting;
- (ii) to exercise all the shareholders’ rights and shareholders’ voting rights pursuant to the relevant PRC laws and regulations and the articles of association of Shanghai Ju Ming;
- (iii) to handle the sale, transfer, pledge, or disposal of all or part of the equity interest in Shanghai Ju Ming;
- (iv) to execute any resolutions and minutes as a shareholder of Shanghai Ju Ming and to file any required document to relevant government authorities;
- (v) on behalf of the Registered Shareholders, to nominate, elect, designate, appoint or remove the legal representative, directors, supervisors, general managers, chief executive officer and other senior management members of Shanghai Ju Ming;
- (vi) to approve the amendments to the articles of association of Shanghai Ju Ming; and
- (vii) to deal with any asset of Shanghai Ju Ming, including but not limited to managing its asset-related business and accessing and acquiring its revenue and assets.

(3) *Exclusive Option Agreements*

JW Shanghai and Shanghai Ju Ming entered into, with Ms. Xing Gao entered into the exclusive option agreement and the supplemental exclusive option agreement on July 29, 2020, and with Mr. Xin Fu (former chief financial officer of the Company who resigned on December 15, 2023) the exclusive option agreement on September 9, 2021 (collectively, the “**Exclusive Option Agreements**”), pursuant to which the Registered Shareholders and Shanghai Ju Ming irrevocably and unconditionally granted JW Shanghai irrevocable and exclusive rights (the “**Exclusive Option Rights**”), provided that it is permitted under the PRC laws and regulations, to acquire the equity interest in our Consolidated Affiliated Entities from the Registered Shareholders and Shanghai Ju Ming and/or to acquire the assets of our Consolidated Affiliated Entities by JW Shanghai or its designee(s), in whole or in part at any time at the sole and absolute discretion of JW Shanghai.

The equity interest purchase price shall be equal to the amount of registered capital contributed in our Consolidated Affiliated Entities by their shareholders respectively or any other amount as separately agreed between JW Shanghai or its designee(s) and the Registered Shareholders, or the minimum price legally required under the PRC laws and regulations if such minimum price is higher than the aforementioned purchase price. The purchase price received by the Registered Shareholders shall be used to offset their respective loan due to JW Shanghai under the Loan Agreements (as defined below) (the “**Offset Debts**”). If PRC laws impose mandatory requirements on the equity interest purchase price, such that the minimum equity interest purchase price permitted under PRC laws exceeds the price already offset with the Offset Debts, the Registered Shareholders shall promptly gift all of the amount exceeding the Offset Debts they received to JW Shanghai or its designee(s) in the manner permitted under the applicable PRC laws. For further details, please see “— Loan Agreements” in this section.

The asset purchase price shall be free or at a nominal price or the minimum price legally required under the PRC laws and regulations. Upon the assets being duly transferred to JW Shanghai or its designee(s) and after deducting necessary tax expenses, JW Shanghai or its designee(s) shall pay the consideration within seven days to the designated bank accounts of our Consolidated Affiliated Entities. Our Consolidated Affiliated Entities has also undertaken that, subject to the relevant PRC laws and regulations, they will return to JW Shanghai or its designee(s) any consideration they received within seven days in the event that JW Shanghai exercises the Exclusive Option Rights to acquire the assets of our Consolidated Affiliated Entities. If such return is not permissible under the PRC laws, the returned consideration will be in escrow by our Consolidated Affiliated Entities for JW Shanghai and our Consolidated Affiliated Entities shall cooperate with JW Shanghai to sign a custody agreement or other relevant legal documents.

Pursuant to the Exclusive Option Agreements, our Consolidated Affiliated Entities and the Registered Shareholders, covenant, among other things, that:

- (i) without the prior consent of JW Shanghai, they shall not supplement, change, or amend the articles of association of our Consolidated Affiliated Entities, or increase or reduce the registered capital of our Consolidated Affiliated Entities, or otherwise change the structure of the registered capital of our Consolidated Affiliated Entities;
- (ii) they shall maintain the corporate existence of our Consolidated Affiliated Entities in accordance with the good financial and business standards and practices;
- (iii) without the prior consent of JW Shanghai, they shall not sell, transfer, mortgage or dispose of any material assets or legal or beneficial interest in the material business or revenues of our Consolidated Affiliated Entities, or allow to place encumbrances thereon;
- (iv) without the prior consent of JW Shanghai, our Consolidated Affiliated Entities shall not incur, inherit, guarantee or suffer any debt, unless the debts incurred in the ordinary course of business other than through loans;
- (v) they shall operate our Consolidated Affiliated Entities in the ordinary course of business so as to maintain our Consolidated Affiliated Entities' asset value, and shall not take or omit to take any actions which may adversely affect the operating status and asset value of our Consolidated Affiliated Entities;
- (vi) without the prior consent of JW Shanghai, our Consolidated Affiliated Entities shall not enter into any material contracts other than in the ordinary course of business;
- (vii) without the prior consent of JW Shanghai, our Consolidated Affiliated Entities shall not provide any person with any loan or credit;
- (viii) upon request of JW Shanghai, they shall provide JW Shanghai with information regarding the operations and financial condition of our Consolidated Affiliated Entities;
- (ix) our Consolidated Affiliated Entities shall purchase and maintain insurance over the assets and business of our Consolidated Affiliated Entities from an insurance carrier acceptable to JW Shanghai, at an amount and type of coverage typical for companies carrying on similar businesses;
- (x) without the prior written consent of JW Shanghai, our Consolidated Affiliated Entities shall not merge, consolidate with, acquire or invest in any person;
- (xi) they shall immediately inform JW Shanghai if assets, business, revenue or equity interest of our Consolidated Affiliated Entities involve in any litigation, arbitration or administrative proceeding;
- (xii) our Consolidated Affiliated Entities shall sign all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints, and raise necessary and appropriate defenses against all claims to maintain the ownership of their assets;

- (xiii) without the prior written consent of JW Shanghai, they shall not distribute any dividend to its shareholders. However, upon request of JW Shanghai, our Consolidated Affiliated Entities shall immediately distribute all distributable profits to their shareholders;
- (xiv) at the request of JW Shanghai, they shall appoint any persons designated by JW Shanghai as the director or executive director of our Consolidated Affiliated Entities;
- (xv) without the prior consent of JW Shanghai, they shall not engage in any business in competition with JW Shanghai or its affiliates;
- (xvi) without written consent of JW Shanghai, our Consolidated Affiliated Entities shall not be dissolved or liquidated, unless otherwise mandatorily required by the PRC laws;
- (xvii) once foreign investors are permitted to invest in the principal business of our Consolidated Affiliated Entities in China, and the competent government authorities of China begin to approve such investments, upon JW Shanghai's exercise of this option, the Registered Shareholders shall immediately transfer to JW Shanghai or its designee(s) the equity interest in our Consolidated Affiliated Entities held by them; and
- (xviii) they shall procure the subsidiary and any subsidiary subsequently established, acquired or actually controlled by our Consolidated Affiliated Entities to exercise rights and perform the same obligations as our Consolidated Affiliated Entities and comply with covenants made by our Consolidated Affiliated Entities in accordance with the Exclusive Option Agreements.

#### (4) *Loan Agreements*

JW Shanghai entered into, with Ms. Xing Gao the loan agreement and the supplemental loan agreement on July 29, 2020, and with Mr. Xin Fu (the former chief financial officer of the Company who resigned on December 15, 2023) the loan agreement on September 9, 2021 (collectively, the “**Loan Agreements**”), pursuant to which JW Shanghai agreed to lend each Registered Shareholder RMB500,000 (the “**Loans**”) for capital contribution to Shanghai Ju Ming or for the payment of the consideration of the equity interest of Shanghai Ju Ming. Such Loans will become immediately due and payable under any of the following circumstances: (i) 30 days after the Registered Shareholders receives a written notice from JW Shanghai requesting repayment of the Loan (and all interest thereon); (ii) death, lack or limitation of civil capacity of the Registered Shareholders; (iii) the Registered Shareholders cease to be a shareholder of Shanghai Ju Ming; (iv) the Registered Shareholders engage in criminal act or is involved in criminal activities; (v) once foreign investors are permitted to invest in the Relevant Businesses in China, with a controlling stake and/or in the form of wholly foreign-owned enterprises, and the competent government authorities of China begin to approve such investments; or the Registered Shareholders or Shanghai Ju Ming breach of the representations, warranties, covenants or other obligations under the Exclusive Option Agreements; and (vi) Shanghai Ju Ming failed to obtain or renew any governmental approval or license necessary for the operation of its core business.

### (5) *Equity Interest Pledge Agreements*

JW Shanghai and Shanghai Ming Ju entered into, with Ms. Xing Gao the equity interest pledge agreement and the supplemental equity pledge agreement on July 29, 2020, and with Mr. Xin Fu (the former chief financial officer of the Company who resigned on December 15, 2023) the equity interest pledge agreement on December 2, 2021 (collectively, the “**Equity Interest Pledge Agreements**”), pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interest in Shanghai Ju Ming to JW Shanghai as a security for their and Shanghai Ju Ming’s performance of the contractual obligations under the Contractual Arrangements.

Under the Equity Interest Pledge Agreements, the Registered Shareholders agree that, the rights of JW Shanghai with respect to the pledge thereunder shall not be interrupted or harmed by the Registered Shareholders or their successors, heirs or representatives, or any other persons through any legal proceedings. If Shanghai Ju Ming declares any dividend during the term of the pledge, JW Shanghai is entitled to receive all such dividends distributed on the pledged equity interest, if any. In addition, pursuant to the Equity Interest Pledge Agreements, each of the Registered Shareholders has undertaken to JW Shanghai, among other things, not to transfer the interest in their respective equity interest in Shanghai Ju Ming or allow any encumbrance to be placed thereon without the prior written consent of JW Shanghai.

### (6) *Spouse Undertakings*

The spouses of each the Registered Shareholders have executed an undertaking (the “**Spouse Undertakings**”), to the effect that (i) he/she acknowledges and consents the execution of the Contractual Arrangements by the respective Registered Shareholder, and the performance, amendments and termination of the Contractual Arrangements do not require his/her further authorization or consents; (ii) he/she undertake not to make any assertions in connection with the equity interest of Shanghai Ju Ming held by the respective Registered Shareholder; (iii) he/she undertakes to execute all necessary documents and to take all necessary actions to ensure the proper performance of the Contractual Arrangements; and (iv) in the event that he/she obtains any interests in Shanghai Ju Ming, he/she shall be bound by the Contractual Arrangements and comply with the obligations thereunder as a shareholder of Shanghai Ju Ming, and upon JW Shanghai’s request, he/she shall sign any document in the form and content substantially same as the Contractual Arrangements.

## **Development in the PRC Legislation on Foreign Investment**

### *The Foreign Investment Law (the “FIL”)*

The FIL was adopted at the Second Session of the Thirteenth National People’s Congress of the PRC on March 15, 2019 and came into force on January 1, 2020. The FIL replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law (《外資企業法》), and became the legal foundation for foreign investment in the PRC. For further details, please refer to the section headed “Regulatory Overview — Laws and Regulations Relating to Foreign Investment” in the Prospectus.

The FIL stipulates the implementation of the management systems of pre-establishment national treatment and “negative list” for foreign investment. The “negative list” issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in the PRC. A foreign investor shall not invest in any field in the “negative list” which is prohibited from foreign investment. A foreign investor shall meet the investment conditions stipulated under the “negative list” for any field in the “negative list” which is restricted from foreign investment. Concerning fields not mentioned in the “negative list” management shall be conducted under the principle of consistency between domestic and foreign investment. The FIL does not contain or quote the stipulation of the “negative list”.

The definition of “foreign investors” in FIL includes foreign natural persons, enterprises and other organizations.

Moreover, the FIL does not stipulate that the “foreign investment” as defined thereunder shall include contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes “investments through other means stipulated under laws or administrative regulations or by the State Council” without elaboration on “other means”.

#### *Impact of FIL on Contractual Arrangements*

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our Consolidated Affiliated Entities, through which we operate the Relevant Businesses in the PRC. The FIL stipulates four forms of foreign investment, but does not mention concept “actual control”, nor does it explicitly stipulate the contractual arrangements as a form of foreign investment. Besides, it does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. Provided that no additional laws, administrative regulations, departmental rules or other regulatory documents on contractual arrangements has been issued and enacted, the coming into effect of the FIL does not, by itself, have any material adverse operational and financial impact on the legality and validity of our Contractual Arrangements.

If the operation of our Relevant Businesses is not on the “negative list” and we can legally operate such businesses under PRC laws, JW Shanghai will exercise the option under the Exclusive Option Agreement to acquire the equity interest of our Consolidated Affiliated Entities and unwind the contractual arrangements subject to re-approval by the relevant authorities.

Furthermore, the FIL stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council”. Although its implementing rules do not expressly stipulate the contractual arrangements as a form of foreign investment, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and Regulations. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. For further details, please refer to the section headed “Risk Factors — Risks Relating to Contractual Arrangements” in the Prospectus.

### *Sustainability of our Relevant Businesses*

If any ancillary regulations or implementation rules of the FIL and the negative list subsequently issued mandates further actions for us to retain the Contractual Arrangements, we will take all reasonable measures and actions to comply with the FIL or such ancillary regulations or implementation rules then in force and to minimize the adverse effect of such laws on our Company. However, there is no assurance that we can fully comply with such law. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have material adverse effect on the trading of our Shares. If, after the Global Offering, we fail to comply with the new foreign investment law as finally promulgated, we may be required to dispose of our Relevant Businesses operated through our Consolidated Affiliated Entity under the Contractual Arrangements or make necessary corporate structure adjustments so as to comply with the new foreign investment law as finally promulgated.

In the worst case scenario, if any new foreign investment law subsequently promulgated is refined or deviates from the FIL, resulting in the Contractual Arrangements becoming invalid and illegal, we may not be able to operate the Relevant Businesses through the Contractual Arrangements and may lose our rights to receive the economic benefits of the Consolidated Affiliated Entities and the financial results of the Consolidated Affiliated Entities may no longer be consolidated into our Group’s financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If our Group does not receive any compensation, an investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely, if any ancillary regulations or implementation rules of the FIL is promulgated, that the relevant authorities will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. However, there is no guarantee that the PRC government will not take a relatively cautious attitude towards the supervision of foreign investments and the enactment of laws and regulations impacting them and make decisions according to different situations in practice.

Our Company will, after the Global Offering, timely announce (i) any updates or material changes to any ancillary regulations or implementation rules of the FIL that will materially and adversely affect us as and when they occur and (ii) in the event that any ancillary regulations or implementation rules of the FIL or any new foreign investment law has been promulgated, a clear description and analysis of law, specific measures adopted by our Company to comply with the law (supported by advice from PRC legal advisor), as well as its material impact on our business operation and financial position.

### ***Risks relating to the Contractual Arrangements***

- If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences and the relinquishment of our interests in the Consolidated Affiliated Entities.
- There is substantial uncertainty with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance, and business operations.
- The Contractual Arrangements may not be as effective in providing operational control as direct ownership, and the Registered Shareholders and the Consolidated Affiliated Entities may fail to perform their obligations under the Contractual Arrangements.
- The Company may lose the ability to use the permits, licenses, and intellectual properties held by the Consolidated Affiliated Entities that are important to the operation of our business if the Consolidated Affiliated Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.
- The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of the Shares.
- The Registered Shareholders of Shanghai Ju Ming may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.
- Certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.
- If the Company exercise the option to acquire equity ownership of Shanghai Ju Ming, the ownership transfer may subject us to certain limitations and substantial costs.

For details, please refer to the section headed “Risk Factors — Risks Relating to Contractual Arrangements” in the Prospectus.

### **Compliance with the Contractual Arrangements**

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) as part of the internal control measures, major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board, particularly our independent non-executive Directors, will review the overall performance of and compliance with the Contractual Arrangements at least once a year, and the confirmation from our independent non-executive Directors will be disclosed in our annual report;
- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports and interim reports to update the Shareholders and potential investors;
- (iv) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding (a) our status of compliance with the FIL, and (b) the latest regulatory development in relation with the FIL;
- (v) our Company will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the implementation of the Contractual Arrangements, review the legal compliance of JW Shanghai and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements;
- (vi) our Company will comply with the conditions to be prescribed by the Stock Exchange under the waiver given; and
- (vii) our Group will adjust or unwind (as the case may be) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations which allow the Relevant Businesses to be conducted and operated by owned subsidiaries of our Company without such arrangements in place.

### **Listing Rules Implications and Waivers from the Hong Kong Stock Exchange relating to the Contractual Arrangements**

Ms. Xing Gao is one of our non-executive Directors. Pursuant to Rule 14A.07(1) of the Listing Rules, Ms. Xing Gao is a connected person of our Company. As at December 31, 2023, Shanghai Ju Ming is held by Ms. Xing Gao as to 50%. Pursuant to Rule 14A.07(4) of the Listing Rules, Shanghai Ju Ming is an associate of our Director and therefore a connected person of our Company. Therefore, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules.

In respect of the Contractual Arrangements, the Stock Exchange has granted a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject however to the following conditions:

- (a) There shall be no change without independent non-executive Directors' approval;
- (b) There shall be no change without independent Shareholders' approval;
- (c) The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived from the Consolidated Affiliated Entities;
- (d) The Contractual Arrangements may be renewed and/or reproduced (i) upon expiry of the existing arrangements or (ii) in relation to any existing, newly established or acquired wholly foreign-owned enterprise or operating company (including a branch company) engaging in the same business as that of the Group, without obtaining approval of the Shareholders, on substantially the same terms and conditions as the Contractual Arrangements; and
- (e) The Group shall disclose details relating to the Contractual Arrangements on an ongoing basis.

For details, please refer to the section headed "Connected Transactions — 8. Contractual Arrangements — Waiver relating to Contractual Arrangements" in the Prospectus.

***Annual Review by the Independent Non-executive Directors and the Auditor***

The independent non-executive Directors, upon review of the overall performance of and compliance with the Contractual Arrangements, confirmed that:

- (a) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements;
- (b) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, which is confirmed by the auditor of the Company; and
- (c) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entity during the Reporting Period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Company and the Shareholders as a whole.

Further, the Consolidated Affiliated Entities undertakes that, for so long as the Shares are listed on the Hong Kong Stock Exchange, the Consolidated Affiliated Entities will provide our Group's management and our auditor with full access to its relevant records for the purpose of procedures to be carried out by our auditor on the connected transactions.

Save as disclosed above, there is no change in the Contractual Arrangements for the period from the Listing Date to December 31, 2023.

### Non-exempt one-off connected transactions

#### Financial Assistance

##### **Principal terms**

The Company, JW Shanghai and Dr. Li entered into a tri-party agreement (the “**Tri-Party Agreement**”), pursuant to which JW Shanghai agreed to withhold the individual income tax in China for Dr. Li in respect of the restricted share units and share options granted to Dr. Li by the Company, which would be funded by a loan provided by the Company to Dr. Li (the “**Loan**”) in an aggregate principal amount of up to HK\$43 million at an interest rate of 3.6% per annum for a term of one year from the drawdown date. The principal amount of the Loan should be repaid on the maturity date of the Loan. The Loan was secured by the Shares legally and beneficially owned by Dr. Li himself or through JDI Capital or Park Place, which were charged in favor of a security agent. For further details, please refer to the announcements of the Company dated March 6, 2022 and April 14, 2022. This loan was fully repaid in April and May of 2023.

##### **Reasons for and benefit of the Loan**

Dr. Li joined the Group in 2016 and is an executive Director, the Chairman and the Chief Executive Officer of the Company. He has played a pivotal and irreplaceable role in the Group since the founding of the Group up to the present. Dr. Li has continued to spend tremendous effort to lead the Group to develop breakthrough cell-based immunotherapies to bring hope to patients, it is necessary for the Group to support and retain key management personnel, in particular, Dr. Li, so that he can continue to lead and make valuable contribution to the Group in the future. The provision of the Loan is important and relevant to supporting Dr. Li’s continual leadership in the Group. Further from treasury management perspectives, the Group was able to receive a higher interest rate from granting the Loan than the interest rate received by the Group by placing cash deposits with commercial banks in the PRC.

##### **Listing Rules Implications and Waivers from the Stock Exchange under the financial assistance**

Dr. Li is an executive Director and is therefore a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Therefore, the transactions contemplated under the Tri-Party Agreement constitute connected transactions of the Company under the Listing Rules.

### **Annual Review by the Independent Non-executive Directors and the Auditor**

The independent non-executive Directors and the auditor of the Company have reviewed the transactions in relation to the Tri-Party Agreement on an annual basis and confirmed the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively.

Save as disclosed above, the related party transactions as disclosed in note 35 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, and except the continuing connected transactions that were granted full exemptions on the requirements under Chapter 14A of the Listing Rules by the Stock Exchange, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company during the Reporting Period in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

## **DONATIONS**

During the Reporting Period, the Group made no charitable and other donations (2022: RMB0.1 million).

## **SIGNIFICANT LEGAL PROCEEDINGS**

For the year ended December 31, 2023, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

## **PERMITTED INDEMNITY PROVISION**

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office; be indemnified and secured harmless out of the assets of the Company; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty.

The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

## **AUDIT COMMITTEE**

The Audit Committee of the Company had, together with the management and external auditor of the Company, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2023.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 101 to 122 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the Reporting Period and as of the latest practicable date prior to the issue of this annual report.

## AUDITOR

PricewaterhouseCoopers was appointed as the Auditor for the year ended December 31, 2023. The accompanying financial statements prepared in accordance with IFRSs have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire at the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as Auditor will be proposed at the AGM.

On behalf of the Board

**Yiping James Li**

*Chairman and Executive Director*

Shanghai, PRC, March 20, 2024

# Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2023.

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix C1 of the Listing Rules as its own code of corporate governance during the year ended December 31, 2023.

Save as disclosed in this annual report, the Company has complied with all applicable code provisions set out in Part 2 of the CG Code during the year ended December 31, 2023.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

## THE BOARD

### Responsibilities

The Board is responsible for the overall leadership of the Group, overseeing the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board Committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

### Board Composition

As of the date of this annual report, the Board comprises 1 executive Director, 3 non-executive Directors and 5 independent non-executive Directors as follows:

#### **Executive Director**

Dr. Yiping James Li (*Chairman*)

#### **Non-executive Directors**

Ms. Xing Gao

Dr. Sungwon Song

Dr. Cheng Liu

#### **Independent Non-executive Directors**

Mr. Yiu Leung Andy Cheung

Mr. Kin Cheong Kelvin Ho

Dr. Debra Yu

Dr. Krishnan Viswanadhan

Dr. Ann Li Lee

The biographies of the Directors are set out under the section headed “Directors and Senior Management” of this annual report.

Save as disclosed in the Directors’ biographies set out in the section headed “Directors and Senior Management” in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

Following the resignation of Mr. Chi Shing Li (“**Mr. Li**”) as Director on January 1, 2023, the Company failed to meet the following requirements:

- (a) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules;
- (b) the Remuneration Committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors under Rule 3.25 of the Listing Rules and the relevant terms of reference of the Company; and
- (c) the Nomination Committee chaired by the chairman of the board or an independent non-executive director and comprising a majority of independent non-executive directors under Rule 3.27A of the Listing Rules and the relevant terms of reference of the Company.

Following the appointment of Dr. Debra Yu as a Director which took effect from March 1, 2023, the Company has fully complied with the requirements as set out in Rules 3.10(1), 3.25 and 3.27A of the Listing Rules. For details, please refer to the Company’s announcement dated March 1, 2023.

As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties.

Dr. Krishnan Viswanadhan (“**Dr. Viswanadhan**”) and Dr. Ann Li Lee (“**Dr. Lee**”) were redesignated as independent non-executive Directors on August 29, 2023. Previously, Dr. Viswanadhan and Dr. Lee were non-executive Directors. Both the Board and the Nomination Committee consider that Dr. Viswanadhan and Dr. Lee fulfill all of the independence criteria set out in Rule 3.13 of the Listing Rules and are therefore independent. In particular, among others:

- (1) both Dr. Viswanadhan and Dr. Lee ceased to be employees of Bristol Myers Squibb Company (“**BMS**”), a substantial shareholder of the Company, in July 2021. Hence, they are not connected with BMS within two years immediately prior to the date of their proposed redesignation;
- (2) Save as disclosed in the announcement of the Company dated August 29, 2023 (the “**Redesignation Announcement**”), as of the date of the redesignation, Dr. Viswanadhan and Dr. Lee (i) have not held any directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) do not have any relationship with any directors, senior management, substantial or controlling shareholder of the Company; (iii) do not hold any other positions in the Group; and (iv) do not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and
- (3) Dr. Viswanadhan and Dr. Lee have confirmed their independence for the purpose of Rule 3.13 of the Listing Rules, and they have confirmed that they are not aware of any other matter in relation to their redesignation that needs to be brought to the attention of the shareholders of the Company, and, save as disclosed in the Redesignation Announcement, there is no other matter which shall be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Notwithstanding that Dr. Viswanadhan and Dr. Lee had been redesignated as non-executive Directors at the time of their appointment, Dr. Viswanadhan and Dr. Lee have carried on their roles and responsibilities on the Board as if they were independent non-executive directors by offering independent and impartial views to the Board.

Dr. Debra Yu and Dr. Sungwon Song, who were appointed as independent non-executive Directors during the the Reporting Period, had obtained the legal advice referred to in Rule 3.09D of the Listing Rules on February 17, 2023 and September 1, 2023, respectively, and they have confirmed that they understood their obligations as a Director.

### Board Diversity Policy

We recognize and embrace the benefits of having a diverse Board to capture different talents so as to further bolster our Board's performance. This would also enable us in achieving a sustainable and balanced development in the long run. Our Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve and maintain its diversity. The Board Diversity Policy provides that the selection of Board candidates should be based on a range of diversity considerations, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotechnology, clinical research, life science, finance, investment, and accounting. They obtained degrees in various areas including microbiology, chemistry, pharmacy, biochemical engineering, chemical engineering, business administration, economics, mathematics, accounting and business law. Our board diversity policy is well implemented as evidenced by the fact that there are three female and six male Directors ranging from 39 years old to 64 years old with experience from different industries and sectors.

We will continue to implement measures and steps to promote and enhance gender diversity at all levels of our Company. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into account our Board Diversity Policy and other factors, including but not limited to, his/her integration into our management mindset and business model and any specific requirements from time to time.

The Nomination Committee is responsible for ensuring the diversity of the Board members. The Nomination Committee reviews the Board Diversity Policy and its implementation on an annual basis to ensure its implementation and monitor its continued effectiveness.

During the Reporting Period, the Board, through the Nomination Committee, has reviewed the implementation and effectiveness of the Board Diversity Policy and confirm that the Board has an appropriate mix of skills and experience to deliver the Company's strategy.

The Board is comprised of nine Directors, including six male Directors and three female Directors. The Board is of the view that the existing gender diversity in respect of the Board is sufficient. The Company will use its best endeavours to ensure the principle of board and gender diversity is integrated into the recruitment processes of suitable candidates for the Board and of the Company's employees to ensure there shall be a pipeline of potential successors to the Board and to its workforce while maintaining the existing board and gender diversity.

Accordingly, the Company considers that gender diversity is also achieved in its workforce generally. As at December 31, 2023, we had a total of 398 employees, of which 162 were male and 236 were female. The gender ratio in our workforce (including senior management) was approximately 40.7% males to 59.3% females.

### **Mechanisms to Ensure Independent Views and Input**

In order to ensure that independent views and input of the Independent non-Executive Directors are made available to the Board, the Nomination Committee and the Board are committed to assess the Directors' independence annually with regards to all relevant factors related to the Independent non-Executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;
- firm commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as independent non-executive Directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and
- the Chairman meets with the Independent non-executive Directors regularly without the presence of the Executive Directors.

All Directors are entitled to seek advice the independent professional advisors at the Company's expenses.

During the Reporting Period, the Company has reviewed the implementation and effectiveness of such mechanisms and considered they are effective and adequate.

### **Anti-Corruption**

The Company has adopted an anti-corruption policy to promote an ethical culture with the Company, to minimize the Group's operation risks and to protect the Company and its shareholders' interests as a whole. Such policy encourages all employees (including senior management) to report any suspicious fraudulent activities or misconducts through relevant procedures in accordance with the policy. Identities and information reported will be kept strictly confidential and whistle-blowers will be protected from potential retaliation, unfair termination or victimization. During the Reporting Period, the Company has provided anti-corruption training to all employees.

### **Induction and Continuous Professional Development**

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended December 31, 2023 is as follows:

<b>Name of Directors</b>	<b>Nature of Continuous Professional Development Programs</b>
<b>Executive Director</b>	
Dr. Yiping James Li ( <i>Chairman</i> )	A & B
<b>Non-Executive Directors</b>	
Ms. Xing Gao	A & B
Dr. Sungwon Song ( <i>appointed on August 29, 2023</i> )	A & B
Dr. Cheng Liu	A & B
Mr. Jinyin Wang ( <i>resigned on August 29, 2023</i> )	A & B
<b>Independent Non-Executive Directors</b>	
Mr. Yiu Leung Andy Cheung	A & B
Mr. Kin Cheong Kelvin Ho	A & B
Dr. Debra Yu	A & B
Dr. Krishnan Viswanadhan ( <i>redesignated from non-executive Director on August 29, 2023</i> )	A & B
Dr. Ann Li Lee ( <i>redesignated from non-executive Director on August 29, 2023</i> )	A & B
Mr. Chi Shing Li ( <i>resigned on January 1, 2023</i> )	A & B

Notes:

A: Attending training relevant to the Company's business conducted by lawyers

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

### Chairman and Chief Executive Officer

Dr. Li is currently the Chairman and CEO. We consider that having Dr. Li acting as both the Chairman and CEO will provide a strong and consistent leadership to us and allow for more effective planning and management of our Group. Pursuant to code provision C.2.1 of the CG Code, the roles of the chairman of the Board and CEO should be separate and should not be performed by the same individual. However, in view of Dr. Li's extensive experience in the industry, personal profile and critical role in our Group and our historical development, we consider that it is beneficial to the business prospects of our Group that Dr. Li continues to act as both the Chairman of the Board and CEO upon Listing.

## Appointment and Re-election of Directors

Details relating to the service contracts of Directors are set out in the section headed “Directors’ Service Contracts and Letters of Appointment” in the Report of Directors of this annual report.

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

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

## Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

## Corporate Governance Report

During the Reporting Period, eight Board meetings and three general meetings were held and the attendance of each Director at these meetings is set out in the table below:

Directors	Attended/ Eligible to attend the Board meeting(s)	Attended/ Eligible to attend the general meeting(s)
<b>Executive Director</b>		
Dr. Yiping James Li ( <i>Chairman</i> )	8/8	3/3
<b>Non-Executive Directors</b>		
Ms. Xing Gao	8/8	1/3
Dr. Sungwon Song ( <i>appointed on August 29, 2023</i> )	2/2	N/A
Dr. Cheng Liu	7/8	1/3
Mr. Jinyin Wang ( <i>resigned on August 29, 2023</i> )	6/6	1/3
<b>Independent Non-Executive Directors</b>		
Mr. Yiu Leung Andy Cheung	8/8	2/3
Mr. Kin Cheong Kelvin Ho	8/8	3/3
Dr. Debra Yu ( <i>appointed on March 1, 2023</i> )	7/7	2/2
Dr. Krishnan Viswanadhan ( <i>redesignated from non-executive Director on August 29, 2023</i> )	8/8	3/3
Dr. Ann Li Lee ( <i>redesignated from non-executive Director on August 29, 2023</i> )	8/8	3/3
Mr. Chi Shing Li ( <i>resigned on January 1, 2023</i> )	N/A	N/A

### Model Code for Securities Transactions

We have also adopted our own code of conduct regarding securities transactions, namely the Code for Securities Transactions by Directors (the “**Securities Transactions Code**”), which applies to all Directors of the Company on terms no less than the required standard indicated by the Model Code.

Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Securities Transactions Code during the year ended December 31, 2023.

The Company’s employees, who are likely to be in possession of unpublished inside information of the Company, are subject to the Model Code. No incident of non-compliance of the Model Code was noted by the Company as at the date of this report.

### Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

### Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes but not limited to the following:

- (a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
- (d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;
- (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and
- (f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

### BOARD COMMITTEES

#### Audit Committee

The Audit Committee comprises three members and is chaired by an independent non-executive Director, Mr. Yiu Leung Andy Cheung, and consists of one independent non-executive Director, Mr. Kin Cheong Kelvin Ho, and one non-executive Director, Ms. Xing Gao. Among the members, both Mr. Yiu Leung Andy Cheung and Mr. Kin Cheong Kelvin Ho have seasoned finance and risk management expertise, and Ms. Xing Gao has over 10 years of healthcare investment related experience.

The principal duties of the Audit Committee include but not limited to:

1. making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor;
2. reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
3. reviewing the financial statements, reports and accounts and consider any significant or unusual items raised by the Company's qualified accountant, compliance officer or auditor before submission of the Board;
4. reviewing the Company's financial controls and, unless expressly addressed by a separate Board risk committee or by the Board itself, reviewing the Company's risk management and internal control systems;
5. discussing the risk management and internal control system with the Senior Management and to ensure that the Senior Management has performed its duties in establishing and maintaining effective systems, including adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
6. ensuring co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness; and
7. considering any other topics, as defined by the Board.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

For the year ended December 31, 2023, three meetings of the Audit Committee were held to discuss and consider the following matters:

- reviewed annual results of the Company and its subsidiaries for the year ended December 31, 2022 as well as the audit report prepared by the auditor relating to accounting issues and major findings in course of audit;

- reviewed the 2022 internal control and risk management report, and discussed the risk management and internal control system with the Senior Management;
- reviewed the representation letters for 2022 consolidated financial statement and connected party transactions;
- reviewed interim results of the Company and its subsidiaries for the six months ended June 30, 2023;
- reviewed the connected transactions, including continuing connected party transactions;
- ensured the internal audit function is adequately resourced, periodically conducted meetings to review and monitor the effectiveness of internal audit function;
- reviewed the financial reporting system, compliance procedures, risk management and internal control systems (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company’s accounting and financial reporting function) and the re-appointment of the Auditor; the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the auditor;
- reviewed the Company’s audit plans in 2023 prepared by the internal audit and external auditor of the Company; and
- conducted separate discussion with external auditor.

Attendance of each Audit Committee member is set out in the table below:

<b>Directors</b>	<b>Attended/ Eligible to attend</b>
Mr. Yiu Leung Andy Cheung ( <i>Chairman</i> )	3/3
Ms. Xing Gao	3/3
Mr. Kin Cheong Kelvin Ho	3/3

**Nomination Committee**

The Nomination Committee comprises four members and is chaired by an executive Director, Dr. Yiping James Li, and consists of three independent non-executive Directors, Mr. Yiu Leung Andy Cheung, Dr. Debra Yu and Dr. Krishnan Viswanadhan.

The principal duties of the Nomination Committee include the following:

1. reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board annually and making recommendations on any proposed changes to the Board to complement the Company’s corporate strategy;

2. making recommendations to the board on the appointment or re-appointment of directors and succession planning for directors in particular the chairperson and the chief executive;
3. identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; and
4. assessing the independence of independent non-executive Directors.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

### **Director Nomination Policy**

The Board has adopted a nomination policy which sets out the selection criteria and process in relation to the selection, appointment and re-appointment of the Directors and aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the Company's business.

The nomination policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- reputation for integrity;
- skills, qualification and experiences;
- commitment in respect of available time and relevant interest;
- independence of proposed independent non-executive Directors; and
- diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service.

The Nomination Committee shall identify, consider and recommend to the Board appropriate candidates to serve as Directors and to make recommendations to the Shareholders. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

For the year ended December 31, 2023, three meetings of the Nomination Committee was held to discuss and consider the following matters:

- reviewed the structure, size, and composition of the Board;
- confirmed the independence of the independent non-executive Directors;
- considered the qualifications of the retiring Directors standing for election at the annual general meeting; and

- reviewed the resignation of the non-executive Directors and the independent non-executive Directors and proposed new composition of the Nomination Committee, the Remuneration Committee and Business Development and Strategy Committee.

Attendance of each Nomination Committee member is set out in the table below:

<b>Directors</b>	<b>Attended/ Eligible to attend</b>
Dr. Yiping James Li ( <i>Chairman</i> ) ( <i>appointed on March 1, 2023</i> )	3/3
Mr. Yiu Leung Andy Cheung ( <i>appointed on March 1, 2023</i> )	3/3
Dr. Debra Yu ( <i>appointed on March 1, 2023</i> )	3/3
Dr. Krishnan Viswanadhan	3/3
Mr. Kin Cheong Kelvin Ho ( <i>ceased to be member on August 29, 2023</i> )	2/2
Mr. Chi Shing Li ( <i>Chairman</i> ) ( <i>resigned on January 1, 2023</i> )	N/A

### Remuneration Committee

The Remuneration Committee comprises four members and is chaired by an independent non-executive Director, Dr. Ann Li Lee, and consists of one non-executive Director, Dr. Sungwon Song and two independent non-executive Directors, Mr. Kin Cheong Kelvin Ho and Dr. Debra Yu.

The principal duties of the Remuneration Committee include the following:

1. making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, and proper human resources review process is in place to ensure that no Director, senior management or any of his associate is involved in deciding his own remuneration;
2. reviewing and approving Director and senior management's remuneration proposals with reference to the Board's goals and objectives;
3. considering salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;
4. determining with delegated responsibility and making recommendations to the Board on the remuneration packages of individual executive Directors, non-executive Directors and senior management;
5. reviewing and approving the compensation payable to executive Directors and senior management for any loss or termination of office or appointment in order to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;

## Corporate Governance Report

6. reviewing and approving compensation arrangements relating to dismissal or removal of executive Directors and senior management for misconduct in order to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate; and
7. reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

For the year ended December 31, 2023, thirteen meetings of the Remuneration Committee were held to discuss and consider the following matters:

- reviewed and made recommendation to the Board on the remuneration policy;
- reviewed and made recommendation to employees merit increase and bonus budget;
- reviewed and made recommendation to the Board on the remuneration packages of the Directors and senior management; and
- reviewed and made recommendation to the Board on the share incentivization schemes and arranged regular signing on the grant documents.

Attendance of each Remuneration Committee member is set out in the table below:

<b>Directors</b>	<b>Attended/ Eligible to attend</b>
Dr. Ann Li Lee ( <i>Chairman</i> ) ( <i>appointed as Chairman on August 29, 2023</i> )	13/13
Dr. Sungwon Song ( <i>appointed on August 29, 2023</i> )	N/A
Mr. Kin Cheong Kelvin Ho ( <i>appointed on August 29, 2023</i> )	N/A
Dr. Debra Yu ( <i>appointed on March 1, 2023</i> )	10/10
Mr. Yiu Leung Andy Cheung (張耀樑) ( <i>appointed as Chairman on March 1, 2023 and ceased to act on August 29, 2023</i> )	13/13
Mr. Chi Shing Li (李志成) ( <i>Chairman</i> ) ( <i>resigned on January 1, 2023</i> )	N/A

### Emolument Policy

The Company has established the Remuneration Committee to review the Company's policy and structure for the remuneration of all Directors and senior management and formulate remuneration policy. The remuneration of the Directors and senior management are determined based on their individual performance, responsibilities, qualification, position and seniority. The remuneration of all Directors and senior management is recommended by the Remuneration Committee.

### Remuneration of Directors and Senior Management

The remuneration payable to the senior management of the Company (who are not the Directors) is shown in the following table by band:

Remuneration band (in RMB)	Year ended December 31,	
	2023 no. of individuals	2022 no. of individuals
Less than RMB1,000,000	—	—
RMB1,000,001 to RMB1,500,000	—	—
RMB1,500,001 to RMB3,000,000	—	—
RMB3,000,001 to RMB4,500,000	1	—
RMB4,500,001 to RMB6,000,000	3	2
RMB6,000,001 to RMB7,500,000	—	—
RMB7,500,001 to RMB9,000,000	—	—
RMB9,000,001 to RMB10,500,000	—	—
RMB10,500,001 to RMB12,000,000	—	—
RMB12,000,001 to RMB13,500,000	—	2
	<b>4</b>	<b>4</b>

Details of the remuneration payable to the Directors and the five highest paid individuals for the year ended December 31, 2023 are set out in note 10 to the consolidated financial statements.

### BUSINESS DEVELOPMENT AND STRATEGY COMMITTEE

The Board established the Business Development and Strategy Committee on August 29, 2023. It comprises three members and is chaired by Dr. Krishnan Viswanadhan and Dr. Ann Li Lee, and consists of one executive Director, Dr. Yiping James Li. The purposes and the principle duties of the Business Development and Strategy Committee, among others, include reviewing and making recommendations on the business and corporate development strategies of the Company to the Board.

For the year ended December 31, 2023, four meetings of the Business Development and Strategy Committee were held to discuss the following matters: assessing business opportunities presented by the Company, discussing and making recommendations on near term and long term corporates strategies, as well as business requests from the Board.

Attendance of each Business Development and Strategy Committee member is set out in the table below:

<b>Directors</b>	<b>Attended/ Eligible to attend</b>
Dr. Krishnan Viswanadhan	4/4
Dr. Ann Li Lee	4/4
Dr. Yiping James Li	4/4

### **DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for preparing the financial statements for the year ended December 31, 2023 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

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

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 123 to 127 of this annual report.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board to ensure the management has established an adequate internal control system to safeguard shareholder investments and Company assets and undertake to review the effectiveness of such system on an annual basis. The risk management and internal control 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 misstatements or loss.

The management had conducted a review of the effectiveness of the risk management and internal control systems of the Group for the year ended December 31, 2023 and considered them effective and adequate.

### Risk Management

We have adopted a series of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. Risks identified by the management were analyzed on the basis of likelihood and impact, and properly followed up, mitigated and rectified by the Group and reported to the Directors. Our Audit Committee, and ultimately the Directors supervise the implementation of the Company's risk management policies. The Directors and the senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control. The following key principles outline our approach of risk management:

- Our Audit Committee will oversee and manage the overall risks associated with our business operation, including (i) reviewing and approving our risk management policies to ensure that it is consistent with our corporate objectives; (ii) reviewing and approving annual corporate risk assessment result; (iii) monitoring the most significant risks associated with our business operation and our management's handling of such risks; (iv) reviewing our corporate risk in light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management framework across the Group.
- Our chief finance officer (where such position was previously held by Mr. Xin Fu who resigned on December 15, 2023 during the Reporting Period), is responsible for (i) formulating and updating our risk management policy and targets; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Company; (v) reviewing the relevant departments' reporting on key risks and providing feedback; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competencies are in place across our Group; and (viii) reporting to our Audit Committee on our material risks.
- The Company has established the corporate risk management committee chaired by our CEO and composed of critical department heads as the primary corporate governance structure. There are regular meetings held by risk management committee to review and discuss the corporate annual risk assessment, supervise the mitigation to the risks associated with our business, and review the ESG related work, to ultimately ensure to achieve the company objectives.

- The Internal Audit department of the Group will assist the Board and the Audit Committee to discharge their duties in reviewing the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit function will monitor the corporate risk management committee execution, independently examine key risks in relation to those material controls, and conduct supervision on the Company's daily operations, to reasonably ensure the Company's business operations continue to meet the Company's system requirements and the external regulatory requirements.
- The relevant departments in our Company, including but not limited to the finance department, the legal & compliance department and the human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to standardize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments (i) gathered information about the risks relating to their operation or function; (ii) conducted risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their business objectives; (iii) continuously monitored the key risks relating to their operation or function; (iv) implement appropriate risk responses where necessary; and (v) develop and maintain appropriate mechanism to facilitate the application of our risk management framework.

### Internal Control

Our Board of Directors is responsible for establishing and ensuring effective internal controls to safeguard our Shareholder's investments at all times. Our Audit Committee and Internal Audit assist the Board and the management in overseeing the design, implementation and monitoring of the internal control systems.

During the Reporting Period, we regularly reviewed and enhanced our internal control system designed to manage the risks and uncertainties that may cause the Group's financial conditions or business performance to be materially different from the expected results.

Below is a summary of the internal control policies, measures and procedures we have implemented:

- We adopted various measures and procedures regarding each aspect of our business operation, such as company code of conduct, anti-corruption and whistleblowing, policies of protection of intellectual property, environmental protection, legal and compliance, pharmacovigilance, product quality and safety, and occupational health and safety, etc. We provided periodic training on these measures and procedures to our employees as part of our employee training program. We also constantly monitor the implementation of those measures and procedures during each stage of the business development process.
- Our Directors (who are responsible for monitoring the corporate governance of our Group), with help from our legal advisors, conducted periodically review on our compliance status with all relevant laws and regulations.

- Our Audit Committee assists the Board to monitor the effectiveness of the risk management and internal control systems, regularly review the results and effectiveness of the Company's internal audit team, and provide recommendation regarding the risk management and internal control system. Our Audit Committee also (i) makes recommendations to our Directors on the appointment and removal of external auditors; (ii) reviews the financial information and renders advice in respect of financial reporting as well as oversee internal control procedures of our Group; and (iii) maintains regular dialogue with the Company's external auditors and internal audit.
- Our Internal Audit function independently conducts audit programs per the annual risk assessment result endorsed by the management and Audit Committee, perform annual risk assessment and accordingly monitors the remediation status and reports the result to the management and our Audit Committee.
- To ensure compliance to applicable laws and regulations, we have engaged a law firm, Fangda Partners to advise us on and keep us abreast of Hong Kong laws and regulations. We continuously arrange various trainings sessions provided by external legal advisors from time to time when necessary, and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the latest Hong Kong laws and regulations.
- We maintain strict anti-fraud, anti-corruption and medical compliance policies on personnel conducts business activities and external communications. We also provided periodic trainings to our commercial team to ensure them to comply with applicable promotion and advertising requirements, which include restrictions on promoting products for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities.
- We have put in place an internal policy for the handling and disclosure of inside information in compliance with the SFO. The internal policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in 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.
- We have developed standard operating procedures governing our activities including an integrated procurement-to-payment process, standardized financial reporting and accounting manual, expense accrual methodology, overall budgeting and tracking mechanism.
- Our Directors believe that compliance creates value for our stakeholders and dedicate to cultivating a compliance culture among all of our employees. To ensure such compliance culture is embedded into everyday workflow and set the expectations for individual behavior across the organization, we regularly conduct internal compliance checks and inspections, adopt strict accountability internally and deliver ongoing compliance training.

The Audit Committee, on behalf of the Board, continuously reviews the risk management and internal control systems. The review process comprises, among other things, at least on an annual basis meetings with management of business groups, internal audit team, legal personnel and the external auditors, reviewing the relevant work reports and information of key performance indicators, and discussing the major risks with the senior management of the Company.

During the Reporting Period, among other things, the Board and the Audit Committee have reviewed the Group's financial operation and compliance controls, the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit, financial reporting functions as well as those relating to the Company's ESG performance and reporting. The corporate risk management committee would review the reporting of the internal audit function from time to time. The Audit Committee has reviewed the Company's internal audit function and the internal control systems for the year ended December 31, 2023. A confirmation regarding the effectiveness of these systems has been provided to the Board for the year ended December 31, 2023.

In addition, the Board believes that the Company's accounting and financial reporting functions have been performed by staff of the appropriate qualifications and experience and that such staff receives appropriate and sufficient training and development. There were no material internal control defects or significant areas of concerns identified during the Reporting Period. The Board is of the opinion that the Group's risk management, internal control systems and processes for financial reporting and Listing Rules compliance were effective and adequate during the Reporting Period.

### AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the auditor to the Group during the year ended December 31, 2023 was approximately as follows:

Type of Services	Amount (RMB'000)
Audit services	2,862
Non-audit services related to interim financial review and tax	604
Total	3,466

### COMPANY SECRETARY

The company secretary of the Company is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company engages Ms. Ng Ka Man (吳嘉雯) ("**Ms. Ng**"), a senior manager of the Listing Services Department of TMF Hong Kong Limited (a company secretarial service provider), as the company secretary. From January 1, 2023 to December 15, 2023, Mr. Xin Fu, the former chief financial officer of the Company who resigned on December 15, 2023, was the primary corporate contact person at the Company whom Ms. Ng contacted. From December 15, 2023 to December 31, 2023, Ms. Yi Zhang (章怡), the executive director of legal and compliance of the Company, acted as the primary contact person at the Company whom Ms. Ng contacted.

For the year ended December 31, 2023, Ms. Ng has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The annual general meeting of the Company provides opportunity for the Shareholders to communicate directly with the Directors. The Chairman of the Company and the chairmen of the Board Committees of the Company will attend the AGMs to answer Shareholders' questions. The Auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at [www.jwtherapeutics.com](http://www.jwtherapeutics.com), where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

During the Reporting Period, the Company has reviewed the implementation and effectiveness of the shareholders' communication policy. The Company is of the view that the shareholders' communication policy of the Company has facilitated sufficient shareholders' communication and considered the policy is effective and adequate.

## SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

### Convening of extraordinary general meeting and putting forward proposals

General meetings shall be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Shareholders may put forward proposals at general meetings by sending written notice of their proposals to the headquarters of Company at 5F, Building B, No. 699 Zhong Ke Road, Pudong New District, Shanghai, PRC, or by email to IR\_JW@jwtherapeutics.com.

### **Enquiries to the Board**

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at 5F, Building B, No. 699 Zhong Ke Road, Pudong New District, Shanghai, PRC (email address: IR\_JW@jwtherapeutics.com).

## **DIVIDEND POLICY**

With respect to dividend policy, the Group currently intends to retain all available funds and earnings, if any, to fund the development of its business and it does not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be made at the discretion of the Directors and may be based on a number of factors, including the Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Directors may deem relevant.

## **CHANGE IN CONSTITUTIONAL DOCUMENTS**

The Company adopted the eight amended and restated memorandum and articles of association adopted on June 29, 2022, which has been effective on the same date. During the Reporting Period, the said amended and restated memorandum and articles of association did not have any change.

With effect from December 31, 2023, the Listing Rules have been amended to expand the paperless listing regime. As such, the Board proposes to amend the existing Articles of Association for the purposes of, among others, (i) bringing the Articles of Association in line with amendments made to existing Listing Rules; and (ii) making certain consequential and housekeeping amendments to the existing Articles of Association. The proposed amendments to the Articles of Association will be presented to the Shareholders for approval as a special resolution at the AGM of the Company to be held on June 18, 2024.

## To the Shareholders of JW (Cayman) Therapeutics Co. Ltd

*(incorporated in the Cayman Islands with limited liability)*

### OPINION

#### What we have audited

The consolidated financial statements of JW (Cayman) Therapeutics Co. Ltd (the "Company") and its subsidiaries (the "Group"), which are set out on pages 128 to 201, comprise:

- the consolidated balance sheet as at December 31, 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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 International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

## 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.

The key audit matter identified in our audit is related to impairment assessment of licenses not ready for use.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b><i>Impairment assessment of licenses not ready for use</i></b></p> <p>Refer to notes 2.1.7 and 16 to the consolidated financial statements.</p> <p>The Group recorded licenses not ready for use in carrying amount of approximately RMB579,757,000, which represent 27% of the Group's total assets as of December 31, 2023. Licenses not ready for use are subject to impairment assessment annually, or when there are indicators that these intangible assets might be impaired.</p> <p>Impairment assessment of licenses not ready for use are tested on the cash generating unit ("CGU") level which is determined at the product level, include each license not ready for use and other assets attributable to the CGU.</p> <p>Management has determined the recoverable amounts of licenses not ready for use based on the higher of value-in-use calculations and fair value less cost of disposals calculations and management concluded that the recoverable amounts as determined based on value-in-use calculations are higher than the recoverable amounts as determined based on the fair value less cost of disposal calculations. The value-in-use calculations use the discounted cash flow model with the assistance of an independent external valuer. The key assumption used in estimating the recoverable amounts of licenses not ready for use include revenue growth rates, gross margins and pre-tax discount rate.</p> <p>We focused on auditing the impairment assessment of licenses not ready for use because of the involvement of significant management's judgments and assumptions, which are subject to high degree of estimation uncertainty and level of subjectivity.</p>	<p>We performed the following procedures to address the key audit matter:</p> <ol style="list-style-type: none"> <li>(1) Obtained an understanding of the management's internal control and assessment process of impairment assessment of licenses not ready for use and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of subjectivity;</li> <li>(2) Assessed the competence, capabilities and objectivity of the independent external valuer;</li> <li>(3) Assessed the appropriateness of the valuation methodologies used in the value-in-use calculations;</li> <li>(4) Assessed the reasonableness of key assumptions including revenue growth rates, gross margins and pre-tax discount rate applied by management, by comparing with approved budget and observable market data of the industry;</li> <li>(5) Assessed management's sensitivity analysis on the key assumptions, to consider the extent to which adverse changes, would result in licenses not ready for use being impaired.</li> </ol> <p>Based on the audit procedures performed, we found the significant management's judgments and assumptions used in the impairment assessment of licenses not ready for use to be supported by available evidence.</p>

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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.

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE 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 IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is 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. We report our opinion solely to you, as a body, 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 ISAs 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.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.
- 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 the Audit Committee 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.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

We also provide the Audit Committee 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 the Audit Committee, 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 this independent auditor's report is Mang, Kwong Fung Frederick.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, March 20, 2024

# Consolidated Statement of Profit or Loss

For the year ended December 31, 2023

	Note	Year ended December 31,	
		2023 RMB'000	2022 RMB'000
Revenue	6	173,856	145,702
Cost of sales	7	(85,637)	(86,946)
Gross profit		88,219	58,756
Selling expenses	7	(113,196)	(190,877)
General and administrative expenses	7	(140,048)	(179,763)
Research and development expenses	7	(413,616)	(407,818)
Other income	8	8,249	23,380
Other losses — net	9	(219,215)	(159,561)
<b>Operating loss</b>		<b>(789,607)</b>	<b>(855,883)</b>
Finance income	11	34,026	16,535
Finance costs	11	(12,415)	(6,787)
Finance income — net	11	21,611	9,748
<b>Loss before income tax</b>		<b>(767,996)</b>	<b>(846,135)</b>
Income tax expense	12	—	—
<b>Loss for the year and attribute to the equity holders of the Company</b>		<b>(767,996)</b>	<b>(846,135)</b>
<b>Loss per share for the loss attributable to owners of the Company</b>			
— Basic and diluted (in RMB)	13	(1.87)	(2.06)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

# Consolidated Statement of Comprehensive Loss

For the year ended December 31, 2023

	Note	Year ended December 31,	
		2023 RMB'000	2022 RMB'000
<b>Loss for the year</b>		<b>(767,996)</b>	(846,135)
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified to profit or loss</i>			
— Exchange differences on translation	27	<b>62,558</b>	326,966
Other comprehensive income for the year, net of tax		<b>62,558</b>	326,966
<b>Total comprehensive loss for the year and attribute to the equity holders of the Company</b>		<b>(705,438)</b>	(519,169)

The above consolidated statement of comprehensive loss should be read in conjunction with the accompanying notes.

# Consolidated Balance Sheet

As at December 31, 2023

	Note	As at December 31,	
		2023 RMB'000	2022 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	285,331	348,107
Right-of-use assets	15	55,800	45,112
Intangible assets	16	711,215	893,684
Prepayment for license	17	7,083	6,965
Other non-current assets	18	19,184	12,311
Total non-current assets		1,078,613	1,306,179
<b>Current assets</b>			
Inventories	21	34,778	40,159
Other current assets	23	9,928	9,700
Trade receivable	19	—	5,305
Amount due from related party	20	—	24,115
Other receivables and prepayments	22	16,869	22,553
Cash and cash equivalents	24	1,005,909	1,383,336
<b>Total current assets</b>		<b>1,067,484</b>	<b>1,485,168</b>
<b>Total assets</b>		<b>2,146,097</b>	<b>2,791,347</b>

## Consolidated Balance Sheet

As at December 31, 2023

	Note	As at December 31,	
		2023 RMB'000	2022 RMB'000
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	26	27	27
Reserves	27	6,649,145	6,551,595
Accumulated losses		(4,965,334)	(4,197,338)
<b>Total equity</b>		<b>1,683,838</b>	2,354,284
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	31	157,500	92,500
Lease liabilities	32	40,290	33,728
<b>Total non-current liabilities</b>		<b>197,790</b>	126,228
<b>Current liabilities</b>			
Borrowings	31	105,000	142,300
Lease liabilities	32	16,005	10,600
Trade and other payables	30	109,085	157,935
Contract liability	6	30,424	—
Other current liabilities		3,955	—
<b>Total current liabilities</b>		<b>264,469</b>	310,835
<b>Total liabilities</b>		<b>462,259</b>	437,063
<b>Total equity and liabilities</b>		<b>2,146,097</b>	2,791,347

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 128 to 201 were approved by the Board of Directors on March 20, 2024 and were signed on its behalf.

**Dr. Yiping James Li**  
Director

**Ms. Xing Gao**  
Director

# Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Note	Attributable to equity holders of the Company			
		Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
<b>Balance at January 1, 2022</b>		27	6,142,033	(3,351,203)	2,790,857
Loss for the year		—	—	(846,135)	(846,135)
Other comprehensive income	27	—	326,966	—	326,966
<b>Total comprehensive income/(loss)</b>		—	326,966	(846,135)	(519,169)
<b>Transactions with owners</b>					
Issuance of ordinary shares	26,27	—	94	—	94
Share-based compensation expenses	10	—	82,502	—	82,502
<b>Total transactions with owners</b>		—	82,596	—	82,596
<b>Balance at December 31, 2022</b>		27	6,551,595	(4,197,338)	2,354,284
<b>Balance at January 1, 2023</b>		27	6,551,595	(4,197,338)	2,354,284
Loss for the year		—	—	(767,996)	(767,996)
Other comprehensive income	27	—	62,558	—	62,558
<b>Total comprehensive income/(loss)</b>		—	62,558	(767,996)	(705,438)
<b>Transactions with owners</b>					
Issuance of ordinary shares	26,27	—	27	—	27
Share-based compensation expenses	10	—	34,965	—	34,965
<b>Total transactions with owners</b>		—	34,992	—	34,992
<b>Balance at December 31, 2023</b>		27	6,649,145	(4,965,334)	1,683,838

# Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	Note	Year ended December 31,	
		2023 RMB'000	2022 RMB'000
<b>Cash flows used in operating activities</b>			
Cash used in operations	33(a)	(432,159)	(552,694)
Interest received		33,741	15,972
<b>Net cash used in operating activities</b>		<b>(398,418)</b>	<b>(536,722)</b>
<b>Cash flows used in investing activities</b>			
Purchases of property, plant and equipment		(12,409)	(76,874)
Purchases of intangible assets		(2,171)	(23,709)
Loans to related party		—	(23,552)
Repayment of loan from related party		23,552	—
Repayment of interest from related party		848	—
Proceeds from the disposal of property, plant and equipment	33(b)	84	52
<b>Net cash generated from/(used in) investing activities</b>		<b>9,904</b>	<b>(124,083)</b>
<b>Cash flows used in financing activities</b>			
Proceeds from issuance of ordinary shares	26	27	94
Payment of lease liabilities	33(d)	(15,037)	(15,753)
Interest paid for lease liabilities	33(d)	(2,220)	(1,463)
Proceeds from bank borrowings	33(d)	210,000	234,800
Repayments of bank borrowings	33(d)	(182,300)	(100,000)
Interest paid for bank borrowings		(10,195)	(5,324)
<b>Net cash generated from financing activities</b>		<b>275</b>	<b>112,354</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(388,239)</b>	<b>(548,451)</b>
Cash and cash equivalents at beginning of the year		1,383,336	1,834,399
Exchange gain on cash and cash equivalents		10,812	97,388
<b>Cash and cash equivalents at end of the year</b>	24	<b>1,005,909</b>	<b>1,383,336</b>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 1 GENERAL INFORMATION

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

The Company and its subsidiaries, hereinafter collectively referred to as the “Group” are primarily engaged in research and development (“R&D”), manufacturing, and marketing of cellular immunotherapy products in the People’s Republic of China (the “PRC”).

The Company’s shares began to list on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on November 3, 2020 (the “Listing”).

The consolidated financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

These consolidated financial statements have been approved by the Directors on March 20, 2024.

## 2 SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements of the Group are set out below.

### 2.1 Summary of material accounting policies

#### **2.1.1 Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards issued by International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 (“HKCO”).

The consolidated financial statements have been prepared under the historical cost convention.

For the year ended December 31, 2023

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.1 Summary of material accounting policies (Continued)

#### 2.1.2 New standards, amendments and interpretation adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing January 1, 2023:

- Insurance Contracts — Amendments to IFRS 17
- Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates — Amendments to IAS 8
- International Tax Reform - Pillar Two Model Rules — Amendments to IAS 12.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12

The adoption of the above new standards, amendments and interpretation to existing standards do not have a material impact on the Group.

#### 2.1.3 New standards and interpretations not yet adopted

The following standards, amendments, interpretation and improvements to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2024 but have not been early adopted by the Group:

Standards	Key requirements	Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024
Amendments to IFRS 16	Lease liabilities in a sale and leaseback	January 1, 2024
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025

None of these is expected to have a significant effect on the consolidated financial statements of the Group.

For the year ended December 31, 2023

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.1 Summary of material accounting policies (Continued)

#### 2.1.4 Contractual arrangements

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

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

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

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.1 Summary of material accounting policies (Continued)

#### 2.1.5 Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.2.1).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

#### 2.1.6 Intangible assets

##### (a) Software

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

##### (b) Licenses

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

Certain intangible assets are for license of intellectual properties in development, with non-refundable upfront payment, milestone payment and royalty payment. Upfront payment is capitalized when paid. The milestone payment is capitalized as intangible assets when incurred, unless the payment is for outsourced research and development work which would follow the capitalization policy in Note 2.1.6 (c). Royalty payment would be accrued for in line with the underlying sales and recognized as a cost of sales. However, if the intangible asset is acquired in a business combination, it is measured at fair value at initial recognition.

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

For the year ended December 31, 2023

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.1 Summary of material accounting policies (Continued)

#### 2.1.6 Intangible assets (Continued)

##### (c) Research and development

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

- (i) the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- (ii) the intention to complete the intangible asset and use or sell it.
- (iii) the Group's ability to use or sell the development project;
- (iv) how the development project will generate probable future economic benefits for the Group;
- (v) the Group's availability of adequate technical, financial and other resources to complete the development and to use or sell the development project; and
- (vi) the ability to measure reliably the expenditures attributable to the development project.

#### 2.1.7 Impairment of non-financial assets

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

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

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.1 Summary of material accounting policies (Continued)

#### 2.1.8 Revenue recognition

Revenues are recognized when, or as, the control of the goods or services is transferred to the customer.

Revenue from goods are recognized when control of the goods are transferred, being when the goods are delivered to the customers, and the customers have accepted the goods in accordance with the sales contracts, or the Group has objective evidence that all criteria for acceptance have been satisfied.

### 2.2 Summary of other accounting policies

#### 2.2.1 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

For the year ended December 31, 2023

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.2 Summary of other accounting policies (Continued)

#### 2.2.1 *Business combinations* (Continued)

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

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

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.2 Summary of other accounting policies (Continued)

#### 2.2.2 Segment reporting

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

#### 2.2.3 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

#### 2.2 Summary of other accounting policies (Continued)

##### 2.2.3 Foreign currency translation (Continued)

###### (b) Transactions and balances (Continued)

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

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

###### (c) Group companies

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

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rate; and
- (iii) All resulting exchange differences are recognized in other comprehensive income and accumulated as a separate component of equity.

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

For the year ended December 31, 2023

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.2 Summary of other accounting policies (Continued)

#### 2.2.4 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.1.7).

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

Construction in progress represents unfinished construction and equipment under construction or pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. Construction in progress is not depreciated but it is tested for impairment annually, or more frequently if events or changes in circumstances indicated that it might be impaired and is carried at cost less accumulated impairment losses.

For the year ended December 31, 2023

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.2 Summary of other accounting policies (Continued)

#### 2.2.5 Financial assets

##### (a) Classification

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

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

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

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

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

##### (b) Measurement

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

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

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.2 Summary of other accounting policies (Continued)

#### 2.2.5 Financial assets (Continued)

##### (b) Measurement (Continued)

###### Debt instruments

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

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in income using the effective interest method.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Other (losses)/gains". Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses and impairment expenses are presented in "Other (losses)/gains — net".
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statements of profit or loss within "Other (losses)/gains — net", net in the period in which it arises.

For the year ended December 31, 2023

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.2 Summary of other accounting policies (Continued)

#### 2.2.5 Financial assets (Continued)

##### (b) Measurement (Continued)

##### Equity instruments

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

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

#### 2.2.6 Offsetting financial assets and liabilities

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

#### 2.2.7 Impairment of financial assets

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

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

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.2 Summary of other accounting policies (Continued)

#### 2.2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### 2.2.9 Cash and cash equivalents

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

#### 2.2.10 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity.

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

Shares held for the share award scheme are disclosed as "Shares held for Share Award Scheme" and deducted from equity until the shares are vested or cancelled.

#### 2.2.11 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest method.

For the year ended December 31, 2023

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.2 Summary of other accounting policies (Continued)

#### 2.2.12 Borrowings

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

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

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

#### 2.2.13 Current and deferred income tax

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

##### (a) Current income tax

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

##### (b) Deferred income tax

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

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.2 Summary of other accounting policies (Continued)

#### 2.2.13 Current and deferred income tax (Continued)

##### (b) Deferred income tax (Continued)

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

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

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

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

#### 2.2.14 Employee benefits

##### (a) Short-term obligations

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

For the year ended December 31, 2023

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.2 Summary of other accounting policies (Continued)

#### 2.2.14 Employee benefits (Continued)

##### (b) Pension obligations

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

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

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

##### (d) Bonus plan

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

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.2 Summary of other accounting policies (Continued)

#### 2.2.15 Share-based payment

##### (a) Equity-settled share-based payment transactions

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

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

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

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

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

For the year ended December 31, 2023

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.2 Summary of other accounting policies (Continued)

#### 2.2.15 Share-based payment (Continued)

##### (b) Share-based payment transaction among Group entities

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

#### 2.2.16 Government grants

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

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

#### 2.2.17 Provisions

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

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

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

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.2 Summary of other accounting policies (Continued)

#### 2.2.18 Contract liability

A contract liability represents the Group's obligation to transfer control of the goods or services for which the Group has received consideration (or an amount of consideration is due) from the customer.

#### 2.2.19 Leases and right of use assets

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

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

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

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

For the year ended December 31, 2023

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.2 Summary of other accounting policies (Continued)

#### 2.2.19 Leases and right of use assets (Continued)

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

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

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

#### 2.2.20 Interest income

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

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

#### 2.2.21 Dividend distribution

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

## 2 SUMMARY OF ACCOUNTING POLICIES (Continued)

### 2.2 Summary of other accounting policies (Continued)

#### 2.2.22 Separate financial statements

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

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

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

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

#### (a) Market risk

##### (i) Foreign exchange risk

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

For the year ended December 31, 2023

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (a) Market risk (Continued)

###### (i) Foreign exchange risk (Continued)

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

Most foreign exchange transactions were denominated in USD for the Group companies that have functional currency in RMB. At December 31, 2023, if the USD strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the year would have been RMB36,944,761 (2022: RMB49,820,160) higher/lower.

###### (ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. The Group does not anticipate significant impact to interest to interest-bearing borrowings with floating interest rate.

##### (b) Credit risk

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

As at December 31, 2023, cash and cash equivalents were all deposited in high quality financial institutions without significant credit risk.

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of trade receivable. Management has assessed that during the years presented, amount due from related party and other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The Group does not expect any losses from non-performance by the counterparties of above receivables and no loss allowance provision for these receivables was recognized.

For the year ended December 31, 2023

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (c) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>As at December 31, 2023</b>					
Trade and other payables	78,928	—	—	—	78,928
Borrowings (including interest payables)	111,788	42,370	85,690	44,861	284,709
Lease liabilities	18,000	15,201	20,671	8,495	62,367
	<u>208,716</u>	<u>57,571</u>	<u>106,361</u>	<u>53,356</u>	<u>426,004</u>
<b>As at December 31, 2022</b>					
Trade and other payables	113,966	—	—	—	113,966
Borrowings (including interest payables)	148,767	8,031	37,467	61,675	255,940
Lease liabilities	12,436	7,748	16,990	14,159	51,333
	<u>275,169</u>	<u>15,779</u>	<u>54,457</u>	<u>75,834</u>	<u>421,239</u>

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Capital management

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

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

The Group monitors capital on the basis of the net debt equity ratio. This ratio is calculated as "net debt" divided by "total equity". Net debt is calculated as total borrowings, total lease liabilities and preferred shares less cash and cash equivalents and restricted bank deposits. The net debt ratio was summarized as follows:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Borrowings	262,500	234,800
Lease liabilities	56,295	44,328
Less: cash and cash equivalents	(1,005,909)	(1,383,336)
Net debts	(687,114)	(1,104,208)
Total equity	1,865,046	2,354,284
Net debt equity ratio	N/A	N/A

#### 3.3 Fair value estimation

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

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

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

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Fair value estimation (Continued)

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

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

There were no changes in valuation techniques during the year ended December 31, 2023 (2022: nil).

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended December 31, 2023 (2022: nil).

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

#### (a) Intangible assets acquired in a business combination

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

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

For the year ended December 31, 2023

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

#### (a) Intangible assets acquired in a business combination (Continued)

- (i) meets the definition of an asset; and
- (ii) is identifiable, i.e., is separable or arises from contractual or other legal rights.

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

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

#### (b) Impairment of property, plant and equipment

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

#### (c) Impairment testing of licenses not ready for use

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

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

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

For the year ended December 31, 2023

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS** (Continued)**(d) Deferred income tax**

The Group recognizes deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the year ended December 31, 2023, deferred tax assets have not been recognized in respect of these accumulated tax losses and other deductible temporary differences based on the fact that there were several drug candidates of the Company and most of them were in earlier research and development stage and the future taxable profits would be uncertain.

**(e) Research and development expenses**

Development costs incurred on the Group's drug product pipelines are capitalized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalized requires management to make judgment regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the year ended December 31, 2023, all expenses incurred for research and development activities were regarded as research expenses and therefore were expensed when incurred.

**5 SEGMENT INFORMATION**

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

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

**6 REVENUE**

	<b>Year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue from sales of goods		
— at point in time	<b>173,856</b>	145,702

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 6 REVENUE (Continued)

The Group recognized the following liabilities related to the contracts with customers:

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Contract liabilities	<b>30,424</b>	—

Contract liabilities represent advance from customers and are recognized when payments are received before the control of goods is transferred to the customer.

### 7 EXPENSES BY NATURE

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Employee benefit expenses (including directors' emoluments) (Note 10)	<b>307,041</b>	404,328
Materials and consumables	<b>116,538</b>	113,972
Testing and clinical expenses	<b>75,906</b>	63,729
Depreciation of property, plant and equipment (Note 14(a))	<b>63,751</b>	54,474
Business promotion fee	<b>49,775</b>	77,385
Professional service expenses	<b>40,357</b>	51,281
Office expenses	<b>28,285</b>	31,320
Depreciation-right of use assets (Note 15)	<b>16,316</b>	13,718
Amortization of license	<b>11,673</b>	11,055
Royalty fee	<b>10,430</b>	8,742
Short term lease and low value lease expenses	<b>6,468</b>	6,749
Amortization of other intangible assets	<b>5,864</b>	5,563
Auditors' remuneration-audit service	<b>3,466</b>	3,595
— Audit service	<b>2,862</b>	2,661
— Non-audit service	<b>604</b>	934
Other expenses	<b>16,627</b>	19,493
Total cost of sales, selling expenses, general and administrative expenses and research and development expenses	<b>752,497</b>	865,404

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 8 OTHER INCOME

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Government grants — cost related ( <i>Note</i> )	<b>8,249</b>	23,380

*Note:*

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

### 9 OTHER LOSSES — NET

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Impairment of license ( <i>Note 16</i> )	<b>(181,208)</b>	—
Net foreign exchange loss	<b>(37,324)</b>	(158,540)
Net loss on disposal of property, plant and equipment	<b>(929)</b>	(168)
Others	<b>246</b>	(853)
Total	<b>(219,215)</b>	(159,561)

### 10 EMPLOYEE BENEFIT EXPENSE

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Wages and salaries	<b>202,896</b>	221,429
Share options granted to directors and employee ( <i>Note 28</i> )	<b>34,965</b>	82,502
Other post-employment benefits	<b>69,180</b>	100,397
Total	<b>307,041</b>	404,328

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 10 EMPLOYEE BENEFIT EXPENSE (Continued)

#### (a) Pensions — defined contribution plans

The employees of the Group's PRC subsidiaries participate in defined contribution retirement plans organized by the relevant provincial governments under which these subsidiaries are required to make monthly contributions to these plans at certain percentages of the employee's monthly salaries and wages subject to certain ceilings.

During the year ended December 31, 2023, the Group had no forfeited contributions under these plans which may be utilized by the Group to reduce its contributions for the current year (2022: Nil).

The Group has no other material obligation for the payment of retirement benefit associated with these schemes beyond the annual contribution described above.

#### (b) Directors' and senior management's emoluments

Directors and chief executives' emoluments for the reporting period is set out as follows:

	Fees RMB'000	Basic salaries, housing allowances, other allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
<b>Year ended December 31, 2023</b>						
<i>Chairman and executive director</i>						
Yiping James Li	—	3,852	2,189	—	14,940	20,981
<i>Non-executive Director</i>						
Xing Gao	—	—	—	—	—	—
Cheng Liu	331	—	—	—	—	331
Sungwon Song (i)	—	—	—	—	—	—
Jinyin Wang (ii)	—	—	—	—	—	—
<i>Independent Director</i>						
Yiu Leung Andy Cheung	323	—	—	—	—	323
Krishnan Viswanadhan (iii)	331	—	—	—	—	331
Debra Yu (iv)	276	—	—	—	—	276
Ann Li Lee (iii)	331	—	—	—	—	331
Kin Cheong Kelvin Ho	224	—	—	—	—	224
	<b>1,816</b>	<b>3,852</b>	<b>2,189</b>	<b>—</b>	<b>14,940</b>	<b>22,797</b>

For the year ended December 31, 2023

**10 EMPLOYEE BENEFIT EXPENSE** (Continued)**(b) Directors' and senior management's emoluments** (Continued)

	Fees RMB'000	Basic salaries, housing allowances, other allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
<b>Year ended December 31, 2022</b>						
<i>Chairman and executive director</i>						
Yiping James Li	—	3,354	2,419	—	25,345	31,118
<i>Non-executive Director</i>						
Krishnan Viswanadhan (iii)	331	—	—	—	—	331
Xing Gao	—	—	—	—	—	—
Ann Li Lee (iii)	331	—	—	—	—	331
Jinyin Wang (ii)	—	—	—	—	—	—
Cheng Liu	331	—	—	—	—	331
<i>Independent Director</i>						
Yiu Leung Andy Cheung	323	—	—	—	—	323
Kin Cheong Kelvin Ho	224	—	—	—	—	224
Chi Shing Li (v)	323	—	—	—	—	323
	<u>1,863</u>	<u>3,354</u>	<u>2,419</u>	<u>—</u>	<u>25,345</u>	<u>32,981</u>

- (i) Dr. Sungwon Song was appointed as a non-executive director on August 29, 2023.
- (ii) Mr. Jinyin Wang was appointed as a director on May 20, 2020 and resigned on August 29, 2023.
- (iii) Dr. Krishnan Viswanadhan and Dr. Ann Li Lee were re-appointed as independent non-executive directors on August 29, 2023.
- (iv) Dr. Debra Yu was appointed as an independent non-executive director on March 1, 2023.
- (v) Mr. Chi Shing Li was appointed as an independent director on October 22, 2020 and resigned on January 1, 2023.

**(c) Directors' retirement benefits**

None of the directors received or will receive any retirement benefits during the year ended December 31, 2023 (2022: nil).

**(d) Directors' termination benefits**

None of the directors received or will receive any termination benefits during the year ended December 31, 2023 (2022: nil).

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 10 EMPLOYEE BENEFIT EXPENSE (Continued)

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

During the year ended December 31, 2023, the Company did not pay consideration to any third parties for making available directors' services (2022: nil).

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

On March 6, 2022, the Company, JW Shanghai and Dr. Yiping James Li, the Chairman of the Company entered into a tri-party agreement (the "Agreement"). Pursuant to the Agreement, JW Shanghai provides Dr. Li one year loan facility of up to HK\$43 million for the purpose to withhold the individual income tax in relation to the restricted share units and share options granted to Dr. Li by the Company. Total amount of RMB23.6 million was drew in April and May of 2022. This loan is secured by certain shares legally and beneficially owned by Dr. Li himself or through companies wholly-owned by him and bearing an interest rate of 3.6% per annum. This loan was fully repaid in April and May of 2023.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2023 (2022: nil).

#### (h) Emolument as an inducement to join or upon joining the Company

None of the directors received any emolument from the Company as an inducement to join or upon joining the Company as compensation for loss of office during the year ended December 31, 2023 (2022: nil)

#### (i) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one director (2022: one), whose emolument is reflected in the analysis shown above. The emoluments payable to the remaining four individuals during the year are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	15,939	31,407
Discretionary bonuses	2,206	3,476
Contribution to pension scheme	459	839
	<b>18,604</b>	<b>35,722</b>

For the year ended December 31, 2023

**10 EMPLOYEE BENEFIT EXPENSE** (Continued)**(i) Five highest paid individuals** (Continued)

The emoluments to the four (2022: four) individuals fell within the following bands:

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>no. of</b>	no. of
	<b>individuals</b>	individuals
Emolument bands (in RMB)		
Less than RMB1,000,000	—	—
RMB1,000,001 to RMB1,500,000	—	—
RMB1,500,001 to RMB3,000,000	—	—
RMB3,000,001 to RMB4,500,000	<b>1</b>	—
RMB4,500,001 to RMB6,000,000	<b>3</b>	2
RMB6,000,001 to RMB7,500,000	—	—
RMB7,500,001 to RMB9,000,000	—	—
RMB9,000,001 to RMB10,500,000	—	—
RMB10,500,001 to RMB12,000,000	—	—
RMB12,000,001 to RMB13,500,000	—	2
	<b>4</b>	4

**11 FINANCE INCOME — NET**

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Finance income:</b>		
Interest income on bank deposits	<b>34,026</b>	16,535
Total finance income	<b>34,026</b>	16,535
<b>Finance costs</b>		
Interest expense on bank borrowings	<b>(10,195)</b>	(5,324)
Interest expense on lease liabilities	<b>(2,220)</b>	(1,463)
Total finance costs	<b>(12,415)</b>	(6,787)
Finance income — net	<b>21,611</b>	9,748

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 12 INCOME TAX EXPENSE

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

#### (a) Cayman Islands income tax

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

#### (b) Hong Kong income tax

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

#### (c) United States of America income tax

Entities in the State of Delaware are subject to Federal Tax at a rate of 21% and State of Delaware Profits Tax at a rate of 8.7%. Operations in the United States of America have incurred net accumulated operating losses for income tax purposes and no income tax provisions are recorded during the years ended 31 December 2023 and 2022.

#### (d) The PRC corporate income tax

Subsidiaries in Mainland China are subject to income tax at a rate of 25% pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), with the exception of JW Shanghai obtained its High-Tech Enterprise status in year 2023 and hence is entitled to a preferential tax rate of 15% for a three-year period commencing 2023.

No provision for Mainland China corporate income tax was provided for, as there's no assessable profit.

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
<b>Loss before income tax</b>	<b>(767,996)</b>	(846,135)
Tax calculated at applicable tax rate of 25%	<b>(191,999)</b>	(211,534)
Effect of different tax rate	<b>102,636</b>	90,443
Expenses not deductible for taxation purposes	<b>7,214</b>	21,849
Super deduction in respect of research and development expenditures	<b>(40,552)</b>	(48,421)
Utilization of previously unrecognized tax loss	<b>(713)</b>	(1,926)
Tax loss not recognized as deferred tax assets	<b>123,414</b>	149,589
<b>Income tax expense</b>	<b>—</b>	—

For the year ended December 31, 2023

**12 INCOME TAX EXPENSE** (Continued)**(e) Deferred tax assets not recognized:**

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

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Deductible losses	<b>3,009,257</b>	2,430,398

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

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
2023	—	32,294
2024	<b>11,793</b>	30,799
2025	<b>23,609</b>	36,925
2026	<b>115,666</b>	129,585
2027	<b>160,710</b>	161,159
2028	<b>175,437</b>	128,430
2029	<b>240,510</b>	240,510
2030	<b>345,384</b>	345,384
2031	<b>664,536</b>	664,536
2032	<b>660,776</b>	660,776
2033	<b>610,836</b>	—
	<b>3,009,257</b>	2,430,398

The tax losses of the Company's Mainland China subsidiaries with the exception of those of JW Shanghai and JW Therapeutics R&D (Shanghai) Co., Ltd ("JW R&D") will expire within five years. JW Shanghai as a High-Tech Enterprise and JW R&D as a Small and Medium-sized Technological Enterprise can carry forward losses for 10 years. No deferred tax asset has been recognized in respect of the tax losses due to the unpredictability of future profit streams.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 13 LOSS PER SHARE

#### (a) Basic loss per share

Basic loss per share is calculated by dividing the loss of the Group attribute to owners of the Company by weighted average number of ordinary shares issued during the year ended December 31, 2023.

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Loss attributable to the ordinary equity holders of the Company (RMB'000)	<b>(767,996)</b>	(846,135)
Weighted average number of ordinary shares in issue (in thousand)	<b>411,530</b>	410,093
Basic loss per share (RMB)	<b>(1.87)</b>	(2.06)

#### (b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the year ended 31 December 2023, the Company had one category of potential ordinary shares: the stock options granted to employees (2022: one category of potential ordinary shares: the stock options granted to employees). As the Group incurred losses for the year ended 31 December 2023 and 2022, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2023 and 2022 are the same as basic loss per share.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 14 PROPERTY, PLANT AND EQUIPMENT

	Machinery <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Leasehold Improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At January 1, 2022</b>					
Cost	116,514	30,952	208,380	17,160	373,006
Accumulated depreciation	(20,229)	(10,586)	(22,297)	—	(53,112)
<b>Net book amount</b>	<b>96,285</b>	<b>20,366</b>	<b>186,083</b>	<b>17,160</b>	<b>319,894</b>
<b>Year ended December 31, 2022</b>					
Opening net book amount	96,285	20,366	186,083	17,160	319,894
Additions	—	13	3,845	81,168	85,026
Transfer	39,795	3,206	22,432	(65,433)	—
Disposals	(6)	(214)	—	—	(220)
Depreciation charges	(18,900)	(4,981)	(32,712)	—	(56,593)
<b>Closing net book amount</b>	<b>117,174</b>	<b>18,390</b>	<b>179,648</b>	<b>32,895</b>	<b>348,107</b>
<b>At December 31, 2022</b>					
Cost	156,291	33,026	234,657	32,895	456,869
Accumulated depreciation	(39,117)	(14,636)	(55,009)	—	(108,762)
<b>Net book amount</b>	<b>117,174</b>	<b>18,390</b>	<b>179,648</b>	<b>32,895</b>	<b>348,107</b>
<b>Year ended December 31, 2023</b>					
Opening net book amount	<b>117,174</b>	<b>18,390</b>	<b>179,648</b>	<b>32,895</b>	<b>348,107</b>
Additions	—	—	932	3,087	4,019
Transfer	28,711	825	5,597	(35,133)	—
Disposals	—	(598)	(415)	—	(1,013)
Depreciation charges	(24,973)	(4,811)	(35,998)	—	(65,782)
<b>Closing net book amount</b>	<b>120,912</b>	<b>13,806</b>	<b>149,764</b>	<b>849</b>	<b>285,331</b>
<b>At December 31, 2023</b>					
Cost	185,002	31,211	234,759	849	451,821
Accumulated depreciation	(64,090)	(17,405)	(84,995)	—	(166,490)
<b>Net book amount</b>	<b>120,912</b>	<b>13,806</b>	<b>149,764</b>	<b>849</b>	<b>285,331</b>

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 14 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Cost of Sales	9,897	10,324
Selling expenses	9	9
General and administrative expenses	3,641	4,888
Research and Development expenses	50,204	39,253
	<b>63,751</b>	<b>54,474</b>

(b) No capitalized borrowing cost during the year ended December 31, 2023 (2022:nil).

### 15 RIGHT-OF-USE ASSETS

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

	Buildings RMB'000
Cost	
<b>At January 1, 2022</b>	80,393
Additions	13,046
Disposals	(15,442)
<b>At December 31, 2022</b>	<b>77,997</b>
Accumulated amortization	
<b>At January 1, 2022</b>	(34,609)
Additions	(13,718)
Disposals	15,442
<b>At December 31, 2022</b>	<b>(32,885)</b>
<b>Net book amount</b>	<b>45,112</b>

For the year ended December 31, 2023

**15 RIGHT-OF-USE ASSETS** (Continued)

	<b>Buildings</b>
	<b>RMB'000</b>
Cost	
<b>At January 1, 2023</b>	<b>77,997</b>
Additions	<b>27,340</b>
Disposals	<b>(30,415)</b>
<b>At December 31, 2023</b>	<b>74,922</b>
Accumulated amortization	
<b>At January 1, 2023</b>	<b>(32,885)</b>
Additions	<b>(16,316)</b>
Disposals	<b>30,079</b>
<b>At December 31, 2023</b>	<b>(19,122)</b>
<b>Net book amount</b>	<b>55,800</b>

The consolidated statement of profit or loss and the consolidated statement of cash flows contain the following amounts relating to leases:

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Depreciation charge of right-to-use assets	<b>(16,316)</b>	(13,718)
Interest expenses	<b>(2,220)</b>	(1,463)
The cash outflow for leases as operating activities	<b>(6,468)</b>	(6,749)
The cash outflow for leases as financing activities	<b>(15,037)</b>	(15,753)

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 16 INTANGIBLE ASSETS

	Computer software RMB'000	Licenses RMB'000	Construction in progress RMB'000	Total RMB'000
<b>At January 1, 2022</b>				
Cost	49,318	771,565	1,577	822,460
Accumulated amortization	(2,608)	(3,563)	—	(6,171)
<b>Net book amount</b>	<b>46,710</b>	<b>768,002</b>	<b>1,577</b>	<b>816,289</b>
<b>Year ended December 31, 2022</b>				
Opening net book amount	46,710	768,002	1,577	816,289
Additions	—	21,938	1,771	23,709
Transfer	3,220	—	(3,220)	—
Amortization charges	(5,708)	(11,055)	—	(16,763)
Currency translation differences	—	70,449	—	70,449
<b>Closing net book amount</b>	<b>44,222</b>	<b>849,334</b>	<b>128</b>	<b>893,684</b>
<b>At December 31, 2022</b>				
Cost	52,538	863,952	128	916,618
Accumulated amortization	(8,316)	(14,618)	—	(22,934)
<b>Net book amount</b>	<b>44,222</b>	<b>849,334</b>	<b>128</b>	<b>893,684</b>
<b>Year ended December 31, 2023</b>				
Opening net book amount	<b>44,222</b>	<b>849,334</b>	<b>128</b>	<b>893,684</b>
Additions	—	—	2,171	2,171
Transfer	2,258	—	(2,258)	—
Impairment charge (Note 9)	—	(181,208)	—	(181,208)
Amortization charges	(6,063)	(11,673)	—	(17,736)
Currency translation differences	—	14,304	—	14,304
<b>Closing net book amount</b>	<b>40,417</b>	<b>670,757</b>	<b>41</b>	<b>711,215</b>
<b>At December 31, 2023</b>				
Cost	54,796	878,256	41	933,093
Accumulated amortization and impairment	(14,379)	(207,499)	—	(221,878)
<b>Net book amount</b>	<b>40,417</b>	<b>670,757</b>	<b>41</b>	<b>711,215</b>

For the year ended December 31, 2023

**16 INTANGIBLE ASSETS** (Continued)

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

	<u>Year ended December 31,</u>	
	<u>2023</u>	2022
	<u>RMB'000</u>	<u>RMB'000</u>
Cost of sales	<b>12,624</b>	12,206
Selling expenses	<b>220</b>	219
Administrative expenses	<b>3,273</b>	3,122
Research and development Expenses	<b>1,420</b>	1,071
	<b>17,537</b>	16,618

**(b) Licenses****Recognition***(i) Relma-cel license*

In December 2017, the Group entered into License and Strategic Alliance Agreement (“Relma-cel License”) with Juno Therapeutics, Inc. (“Juno”) to develop and commercialize Relma-cel in Mainland China, Hong Kong and Macau. The Group recognized a total amount of USD11,570,000 (equivalent to RMB75,601,000) as intangible assets in year 2017.

In January 2021, the Group completed the treatment of 100 patients with Relma-cel in clinical trials. As such, the Group provided Juno milestone payment in cash in an amount of USD5,000,000 (equivalent to RMB32,462,000) in connection with the Relma-cel License and further recognized it as intangible assets.

In December 2022, the Group provided Juno reimbursement in cash in an amount of USD150,000 (equivalent to RMB1,045,000) and further recognized it as intangible assets.

The Group continue the ongoing commercialization and completed 168 infusions in 2023 with positive margin, as such there is no indicator of impairment of Relma-cel License.

As at December 31, 2023, the carrying amount of the Relma-cel License amounted to RMB91,000,000 (2022: RMB101,058,000) (which is net of the accumulated amortisation of RMB26,291,000 (2022: RMB14,618,000)).

*(ii) BCMA license*

In April 2019, the Group entered into License Agreement — BCMA (“BCMA License Agreement”) with Juno to develop and commercialize JWCAR129 in Mainland China, Hong Kong and Macau. The Group recognized a total amount of USD9,140,000 (equivalent to RMB61,318,000) as intangible assets in year 2019.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 16 INTANGIBLE ASSETS (Continued)

#### (b) Licenses (Continued)

##### **Recognition** (Continued)

##### (iii) Eureka licenses

In June 2020, the Group acquired the licenses in a business combination and recognized the licenses, which includes certain licenses under development and commercialization in Mainland China, Hong Kong, Macau, Taiwan and the member countries of Association of South East Asia Nation, at fair value on the acquisition date (“Eureka Licenses”). The Group recognized a total amount of USD95,300,000 (equivalent to RMB674,676,000) as intangible assets in year 2020.

##### (iv) 2seventy license

In October 2022, the Group entered into the Collaboration Agreement with 2seventy bio, Inc. (“2seventy”) for the development and commercialization a cell therapy product directed to MAGE-A4 in Greater China. The Group provided 2seventy upfront payment in cash in an amount of USD3,000,000 (equivalent to RMB20,894,000) and recognized it as intangible assets.

As at December 31, 2023, BCMA license, Eureka licenses and 2seventy license with total net book value of RMB579,757,000 were not yet ready for use.

##### **Impairment**

The impairment test of licenses not ready for use was performed by engaging an independent valuer to estimate the value-in-use as the recoverable amount of each CGU. The fair value is based on value-in-use calculations using the discounted cash flow model. The estimated revenue of each drug is based on management’s expectations of timing of commercializing related products to respective drug. The cost and operating expenses are estimated by considering margins levels of the Group’s business, expected revenue contribution of respective drug to the Group’s total revenue and appropriate adjustments to reflect the characteristics of respective license. The discount rates used are pre-tax and reflect specific risks relating to the relevant drug that would be considered by market participants.

For Eureka licenses, the recoverable amount is determined based on the higher of value-in-use and fair value less costs of disposal calculations (“FVLCD”). In light of the latest research development to product JWATM204/214, the Company took into account a variety of factors including the level of complexity of R&D pathways in the solid tumor field, the time and resources that might be required in advancing in-depth analysis with clinical data, and the overall R&D investment efforts required to work toward commercialization. These factors may eventually result in an increase in the level of R&D efforts and other resources required and may affect the possibility of success, gross margin and pre-tax discount rate.

For the year ended December 31, 2023

**16 INTANGIBLE ASSETS** (Continued)**(b) Licenses** (Continued)**Impairment** (Continued)

The key assumptions based on management's best estimates as adopted for the recoverable amount calculations are as follows:

**BCMA license:**

	<b>As at December 31,</b>	
	<b>2023</b>	2022
Gross margin	<b>72.8%~77.7%</b>	73.2%~78.1%
Pre-tax discount rate	<b>29.9%</b>	29.3%
Revenue growth rate	<b>-2.0%~63.4%</b>	3.0%~63.4%
Recoverable amount of CGU (in RMB million)	<b>104</b>	110

**Eureka licenses:**

	<b>As at December 31,</b>	
	<b>2023</b>	2022
Gross margin	<b>68.2%~81.1%</b>	73.7%~85.9%
Pre-tax discount rate	<b>29.3%</b>	27.8%
Revenue growth rate	<b>-2.0%~229.4%</b>	2.7%~229.4%
Recoverable amount of CGU (in RMB million)	<b>494</b>	809

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 16 INTANGIBLE ASSETS (Continued)

#### (b) Licenses (Continued)

##### **Impairment** (Continued)

##### **2seventy licenses:**

	<b>As at December 31,</b>	
	<b>2023</b>	2022
Gross margin	<b>67.5%~78.1%</b>	67.5%~78.1%
Pre-tax discount rate	<b>28.3%</b>	27.6%
Revenue growth rate	<b>-18.6%~108.6%</b>	-18.6%~108.6%
Recoverable amount of CGU (in RMB million)	<b>62</b>	48

Based on the result of above assessment, the Company uses value-in-use to determine the recoverable amount of Eureka licenses as it is higher than its FVLCD and concluded that a provision for impairment of RMB181 million is required to be recognized as of December 31, 2023 (2022: Nil).

The Company concluded that there was no impairment for BCMA license and 2seventy licenses as of December 31, 2023 and 2022.

##### **Impairment test-sensitivity**

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

##### **BCMA license:**

	<b>As at December 31,</b>	
	<b>2023</b>	2022
Headroom	<b>19</b>	23
Impact by increasing pre-tax discount rate	<b>(10)</b>	(12)
Impact by decreasing revenue growth rate	<b>(8)</b>	(8)

For the year ended December 31, 2023

**16 INTANGIBLE ASSETS** (Continued)**(b) Licenses** (Continued)**Impairment** (Continued)**2seventy licenses:**

	<b>As at December 31,</b>	
	<b>2023</b>	2022
Headroom	<b>25</b>	27
Impact by increasing pre-tax discount rate	<b>(6)</b>	(6)
Impact by decreasing revenue growth rate	<b>(4)</b>	(3)

Considering there was still sufficient headroom for BCMA license and 2seventy licenses based on the assessment, management believes that a reasonably possible change in any of the key assumptions on which management has based its determination of each CGU's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

**17 PREPAYMENT FOR LICENSE**

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Prepayment for license ( <i>Note</i> )	<b>7,083</b>	6,965

*Note:*

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

**18 OTHER NON-CURRENT ASSETS**

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Value-added tax recoverable	<b>12,566</b>	7,227
Rental deposits	<b>4,639</b>	4,590
Prepayments for property, plant and equipment	<b>1,979</b>	494
	<b>19,184</b>	12,311

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 19 TRADE RECEIVABLE

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Trade receivables from contracts with customers	—	5,305

The sales contract was renewed and the payment term was changed to pay in advance in 2023.

As of December 31, 2023 and 2022, the aging analysis of the trade receivables based on invoice date is as follows:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Within 30 days	—	5,305

The maximum exposure to credit risk at December 31, 2023 and 2022 is the carrying value of each class of receivables mentioned above.

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

The carrying amounts of trade receivables are primarily denominated in RMB.

### 20 AMOUNT DUE FROM RELATED PARTY

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Yiping James Li (Note 10(f))	—	24,115

Note:

On March 6, 2022, the Company, JW Shanghai and Dr. Yiping James Li, the Chairman of the Company entered into a tri-party agreement (the "Agreement"). Pursuant to the Agreement, JW Shanghai provides Dr. Li one year loan facility of up to HK\$43 million for the purpose to withhold the individual income tax in relation to the restricted share units and share options granted to Dr. Li by the Company. Total amount of RMB23.6 million was drew in April and May of 2022. This loan was secured by certain shares legally and beneficially owned by Dr. Li himself or through companies wholly-owned by him and bearing an interest rate of 3.6% per annum. This loan was fully repaid in April and May of 2023.

For the year ended December 31, 2023

**21 INVENTORIES**

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Raw materials	<b>24,297</b>	29,821
Work in progress	<b>9,785</b>	10,338
Goods in transit	<b>696</b>	—
	<b>34,778</b>	40,159

**22 OTHER RECEIVABLES AND PREPAYMENTS**

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Prepayments to suppliers	<b>10,776</b>	16,263
Deposits	<b>5,534</b>	5,544
Others	<b>559</b>	746
Total	<b>16,869</b>	22,553

**22 OTHER RECEIVABLES AND PREPAYMENTS** (Continued)

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

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
RMB	<b>15,870</b>	19,723
USD	<b>985</b>	2,830
HKD	<b>14</b>	—
Total	<b>16,869</b>	22,553

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 23 OTHER CURRENT ASSETS

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Value-added tax recoverable	5,922	3,275
Other	4,006	6,425
	<b>9,928</b>	9,700

### 24 CASH AND CASH EQUIVALENTS

#### (a) Cash and cash equivalents

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Cash at bank		
— RMB	473,493	535,807
— USD	520,394	843,573
— HKD	12,022	3,955
Cash at hand		
— RMB	—	1
Total	<b>1,005,909</b>	1,383,336

The carrying amount of bank deposits approximates their fair value.

### 25 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Financial assets at amortized costs:		
— Cash and cash equivalents	1,005,909	1,383,336
— Amount due from related party	—	24,115
— Deposit	10,173	10,134
— Trade receivable	—	5,305
Total	<b>1,016,082</b>	1,422,890

For the year ended December 31, 2023

**25 FINANCIAL INSTRUMENTS BY CATEGORY** (Continued)

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Liabilities		
Financial liabilities at amortized costs:		
— Trade and other payables	<b>78,928</b>	113,966
— Borrowings-current	<b>105,000</b>	142,300
— Borrowings-non-current	<b>157,500</b>	92,500
Lease liabilities-current	<b>16,005</b>	10,600
Lease liabilities-non-current	<b>40,290</b>	33,728
Total	<b>397,723</b>	393,094

**26 SHARE CAPITAL****Authorized:**

	<b>Number of ordinary shares</b>	<b>Nominal value of ordinary shares</b>	<b>RMB equivalent value</b>
	<i>In thousands</i>	<i>USD</i>	<i>RMB'000</i>
As at December 31, 2023 and 2022	5,000,000	50,000	332

**Issued and fully paid:**

	<b>Number of ordinary shares</b>	<b>Nominal value</b>	<b>RMB equivalent value</b>
	<i>In thousands</i>	<i>USD</i>	<i>RMB'000</i>
As at December 31, 2022	411,036	4,110	27
Issuance of ordinary shares (Note (a))	1,360	14	0
As at December 31, 2023	412,396	4,124	27

*Note(a):*

During the year ended December 31, 2023, the Group issued a total of 1,360,144 ordinary shares to the Group's employees as the result of exercise of stock option and RSU after vesting period with a total exercise price of USD4,000 (equivalent to RMB27,000).

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 27 RESERVES

	Share premium <i>RMB'000</i> <i>Note (a)</i>	Share-based compensation reserve <i>RMB'000</i> <i>Note (b)</i>	Treasury shares held in trust <i>RMB'000</i>	Foreign currency translation <i>RMB'000</i> <i>Note (c)</i>	Capital reserve <i>RMB'000</i> <i>Note (d)</i>	Total <i>RMB'000</i>
<b>Balance at January 1, 2022</b>	6,080,667	239,063	(1)	(189,922)	12,226	6,142,033
Share based compensation expenses ( <i>Note 10</i> )	—	82,502	—	—	—	82,502
Currency translation differences	—	—	—	326,966	—	326,966
Issuance of ordinary shares ( <i>Note 26</i> )	94	—	—	—	—	94
<b>Balance at December 31, 2022</b>	<b>6,080,761</b>	<b>321,565</b>	<b>(1)</b>	<b>137,044</b>	<b>12,226</b>	<b>6,551,595</b>
<b>Balance at January 1, 2023</b>	<b>6,080,761</b>	<b>321,565</b>	<b>(1)</b>	<b>137,044</b>	<b>12,226</b>	<b>6,551,595</b>
Share based compensation expenses ( <i>Note 10</i> )	—	34,965	—	—	—	34,965
Currency translation differences	—	—	—	62,558	—	62,558
Issuance of ordinary shares ( <i>Note 26</i> )	27	—	—	—	—	27
<b>Balance at December 31, 2023</b>	<b>6,080,788</b>	<b>356,530</b>	<b>(1)</b>	<b>199,602</b>	<b>12,226</b>	<b>6,649,145</b>

Note:

- (a) Share premium arose from the issuance of the Company in excess of their par value.
- (b) Share-based compensation reserve arises from share-based payment granted to employees of the Group.
- (c) Foreign currency translation represents the difference arising from the translation of financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Group.
- (d) Capital reserve represents the difference of aggregate consideration paid by the Group and the aggregate capital of the subsidiaries acquired before the year ended December 31, 2020.

## 28 SHARE-BASED PAYMENTS

### (a) Stock option and restricted share units

Pursuant to a resolution dated June 24, 2022, the Company adopted 2022 June Stock Option and 2022 June RSU (together, "2022 June Plan"). The Company granted 2,282,395 stock options and 1,703,625 RSUs to certain directors, senior management and employees of the Group as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries.

Pursuant to a resolution dated September 29, 2022, the Company adopted 2022 September Stock Option and 2022 September RSU (together, "2022 September Plan"). The Company granted 660,001 stock options and 360,001 RSUs to certain senior management and employees of the Group as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries.

Pursuant to a resolution dated December 16, 2022, the Company adopted 2022 December Stock Option and 2022 December RSU (together, "2022 December Plan"). The Company granted 41,667 stock options and 41,667 RSUs to certain senior management and employees of the Group as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries.

Pursuant to a resolution dated August 29, 2023, the Company adopted 2023 August Stock Option and 2023 August RSU (together, "2023 August Plan"). The Company granted 1,467,845 stock options and 890,918 RSUs to certain senior management and employees of the Group as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries, subject to the meeting of the criteria of each employee's performance before the relevant vesting date.

There are two types of vesting schedules for the remaining, 2022 June Plan, 2022 September Plan, 2022 December Plan and 2023 August Plan: (i) with 30% will vest on the second anniversary of the vesting commencement date and the remaining 30% and 40% will vest on the third anniversary and fourth anniversary of the vesting commencement date, respectively; and (ii) with 25% will vest on each anniversary of the vesting commencement date, respectively.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 28 SHARE-BASED PAYMENTS (Continued)

#### (a) Stock option and restricted share units (Continued)

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

	Year ended December 31,			
	2023		2022	
	Weighted average exercise price (in USD)	Number of stock options	Weighted average exercise price (in USD)	Number of stock options
As at beginning of year	1.11	16,004,253	1.14	14,353,302
Granted from 2022 June Plan	—	—	1.14	2,282,395
Granted from 2022 September Plan	—	—	0.42	660,001
Granted from 2022 December Plan	—	—	0.62	41,667
Granted from 2023 August Plan	0.31	1,467,845	—	—
Exercised during the year	0.003	(1,360,144)	0.07	(202,288)
Forfeited during the year	0.64	(2,413,905)	1.40	(1,130,824)
As at end of year	1.21	13,698,049	1.11	16,004,253
Vested and exercisable at end of year	1.10	7,024,381	0.78	4,422,324

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

	Year ended December 31,	
	2023	2022
	Numbers of shares	Numbers of shares
As at beginning of year	10,094,909	17,932,828
Granted from 2022 June Plan	—	1,703,625
Granted from 2022 September Plan	—	360,001
Granted from 2022 December Plan	—	41,667
Granted from 2023 August Plan	890,918	—
Exercised during the year	(2,938,767)	(8,095,945)
Forfeited during the year	(1,118,866)	(1,847,267)
As at end of year	6,928,194	10,094,909
Vested and exercisable at end of year	1,601,646	1,980,471

For the year ended December 31, 2023

**28 SHARE-BASED PAYMENTS** (Continued)**(b) Fair value of stock option and RSU granted of the Company**

Fair value of RSU is measured based on the fair value of the Group's ordinary shares, which is USD7.26 for 2019 Plan, USD19.16 for 2020 June Plan (before subdivision) and USD2.43 for 2020 September Plan (after subdivision). The fair value of ordinary shares is determined by discounted cash flow method. The key assumption for discounted cash flow model is the discount rate, which is 18% for 2019 Plan, 17% for 2020 June Plan and 16.5% for 2020 September Plan.

Fair value of RSU is HKD14.92 for 2021 September Plan and HKD11.48 for 2021 December Plan, which is the closing price of the grant shares in the stock market on the grant date. Fair value of RSU is HKD8.94 for 2022 June Plan, HKD3.18 for 2022 September Plan, HKD4.25 for 2022 December Plan and HKD2.46 for 2023 August Plan, which is the closing price of the grant shares in the stock market on the grant date.

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

	2023 August Plan (after subdivision)	2022 December Plan (after subdivision)	2022 September Plan (after subdivision)	2022 June Plan (after subdivision)	2021 December Plan (after subdivision)	2021 September Plan (after subdivision)	2020 September Plan (after subdivision)	2020 June Plan (before subdivision)	2019 Plan (before subdivision)
Risk-free interest rate	3.93%	3.30%	3.87%	2.82%	1.14%	1.14%	0.69%	0.66%	1.47%
Volatility	81%	61%	58%	58%	58%	58%	45%	47%	47%
Grant date option fair value per share	HKD1.54, HKD1.57	HKD2.058, HKD2.194	HKD1.578, HKD1.676	HKD4.588, HKD4.818	HKD5.472, HKD5.779	HKD6.928, HKD7.336	USD2.43	USD19.16	USD3.32, USD6.31
Exercise price	HKD2.46	HKD4.83	HKD3.31	HKD8.94	HKD11.99	HKD16.20	USD0.00001	USD0.001	USD1, USD6.55

The key assumptions, used in computing the fair value of the options granted are required to be determined by the directors of the Company with best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

**(c) Expenses arising from share-based payment transactions**

Expenses for the share-based payments have been charged to the consolidated statement of profit or loss as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Administrative expenses	26,091	50,282
Research and development expenses	11,337	19,445
Selling expenses	(2,463)	12,775
Total	34,965	82,502

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 29 DIVIDEND

No dividend was paid nor declared by the Company for the year ended December 31, 2023 (2022: nil).

### 30 TRADE AND OTHER PAYABLES

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Trade payables	3,269	7,604
Payables for purchase of services and R&D materials	50,403	63,551
Accrued expenses	21,873	32,523
Payables for purchase of property, plant and equipment	3,383	10,288
Staff salaries and welfare payables	22,535	38,941
Payroll tax	6,622	4,028
Deferred income	1,000	1,000
Total	109,085	157,935

The aging of trade payables based on the demand note are as follows:

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Less than 1 year	3,269	7,604

The carrying amounts of trade and other payables (excluding accrued expenses) of the Group are denominated in the following currencies:

	As at December 31,	
	2023 RMB'000	2022 RMB'000
RMB	67,086	109,356
USD	20,126	15,573
SGD	—	483
	87,212	125,412

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 31 BORROWINGS

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
Non-current	<b>172,500</b>	97,500
Less: Current portion of long-term borrowings	<b>(15,000)</b>	(5,000)
Total non-current unsecured bank borrowings	<b>157,500</b>	92,500
Current		
Current unsecured bank borrowings	<b>90,000</b>	137,300
Current portion of long-term borrowings	<b>15,000</b>	5,000
Total current unsecured bank borrowings	<b>105,000</b>	142,300
Total	<b>262,500</b>	234,800

For the year ended December 31, 2023, the Group's borrowings were repayable as follows:

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
Within 1 year	<b>105,000</b>	142,300
Between 1 and 2 year	<b>36,000</b>	5,000
Between 2 and 3 year	<b>52,000</b>	8,000
Between 3 and 4 year	<b>12,000</b>	10,000
Between 4 and 5 year	<b>15,000</b>	12,000
Over 5 years	<b>42,500</b>	57,500
	<b>262,500</b>	234,800

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

	<b>As at December 31,</b>	
	<b>2023</b>	2022
Bank borrowings — RMB	<b>3.35%</b>	3.18%

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 32 LEASE LIABILITIES

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
Minimum lease payments due		
— Within 1 year	<b>18,000</b>	12,436
— Between 1 and 2 year	<b>15,201</b>	7,748
— Between 2 and 5 year	<b>20,671</b>	16,990
— Over 5 years	<b>8,495</b>	14,159
	<b>62,367</b>	51,333
Less: future finance charges	<b>(6,072)</b>	(7,005)
Present value of lease liabilities	<b>56,295</b>	44,328
Less: current portion of lease liabilities	<b>(16,005)</b>	(10,600)
Non-current portion of lease liabilities	<b>40,290</b>	33,728
	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
— Within 1 year	<b>16,006</b>	10,600
— Between 1 and 2 year	<b>13,721</b>	6,326
— Between 2 and 5 year	<b>18,381</b>	14,068
— Over 5 years	<b>8,187</b>	13,334
Present value of lease liabilities	<b>56,295</b>	44,328

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

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

For the total cash outflows for leases including payments of lease liabilities and payments of interest expenses on leases are disclosed in Note 15.

For the year ended December 31, 2023

**33 CASH FLOW INFORMATION****(a) Reconciliation of loss before income tax to cash used in operation**

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Loss before income tax	<b>(767,996)</b>	(846,135)
Adjustments for		
— Depreciation (Notes 14 and 15)	<b>82,098</b>	70,311
— Amortization (Note 16)	<b>17,736</b>	16,763
— Share-based compensation expenses (Note 28)	<b>34,965</b>	82,502
— Finance income — net (Note 11)	<b>(21,611)</b>	(9,748)
— Impairment loss of an intangible asset	<b>181,208</b>	—
— Net foreign exchange losses	<b>37,324</b>	158,540
— Disposal loss of property, plant and equipment	<b>929</b>	168
	<b>(435,347)</b>	(527,599)
Changes in working capital:		
— Decrease/(increase) in trade receivable	<b>5,305</b>	(5,305)
— Decrease/(increase) in prepayments and other receivable	<b>5,684</b>	(10,719)
— (Increase)/decrease in other assets	<b>(5,616)</b>	13,819
— Decrease in accruals and other payable	<b>(7,566)</b>	(14,133)
— Decrease/(increase) in inventories	<b>5,381</b>	(8,757)
Cash used in operations	<b>(432,159)</b>	(552,694)

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

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Net book amount	<b>1,013</b>	220
Losses on disposal of property, plant and equipment	<b>(929)</b>	(168)
Proceeds from the disposal	<b>84</b>	52

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 33 CASH FLOW INFORMATION (Continued)

#### (c) Major non-cash transactions

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Addition of lease liabilities	<b>24,784</b>	11,583

#### (d) Changes in liabilities from financing activities

	Lease Liabilities RMB'000	Borrowings RMB'000
January 1, 2022	47,035	100,000
Cash flows	(15,753)	134,800
Interest expenses	1,463	—
Other non-cash movement	11,583	—
At December 31, 2022	<b>44,328</b>	<b>234,800</b>
	<b>Lease Liabilities RMB'000</b>	<b>Borrowings RMB'000</b>
January 1, 2023	<b>44,328</b>	<b>234,800</b>
Cash flows	<b>(15,037)</b>	<b>27,700</b>
Interest expenses	<b>2,220</b>	—
Other non-cash movement	<b>24,784</b>	—
At December 31, 2023	<b>56,295</b>	<b>262,500</b>

For the year ended December 31, 2023

## 34 COMMITMENTS

### (a) Capital commitments

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

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
Intangible assets	<b>595</b>	306
Property, plant and equipment	<b>364</b>	2,906
	<b>959</b>	3,212

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

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

	<b>As at December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
No later than 1 year	<b>1,387</b>	1,073
Later than 1 year and no later than 2 years	<b>189</b>	48
Later than 2 years and no later than 5 years	<b>18</b>	12
	<b>1,594</b>	1,133

## 35 RELATED PARTY TRANSACTIONS

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

<b><u>Name of related parties</u></b>	<b><u>Relationship with the Group</u></b>
Juno	Shareholder
Yiping James Li	Connected person

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 35 RELATED PARTY TRANSACTIONS (Continued)

#### (a) Key management compensation

The directors are regarded as the key management of the Group. The compensation paid or payable to the key management for employment services is disclosed in Note 10.

#### (b) Transactions with related parties

##### (i) Purchase of materials – Viral vectors

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Juno	26,257	14,604

##### (ii) Purchase of materials – Others

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Juno	166	—

##### (iii) Reimbursement

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Juno	—	1,045

##### (iv) Royalty fee

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Juno	10,430	8,742

For the year ended December 31, 2023

**35 RELATED PARTY TRANSACTIONS**(Continued)**(b) Transactions with related parties**(Continued)**(v) Loan to connected person**

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Yiping James Li	—	23,552

**(vi) Interest of loan to connected person**

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Yiping James Li	<b>285</b>	563

**(vii) Repayment of Loan from connected person**

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Yiping James Li	<b>23,552</b>	—

**(viii) Repayment of interest from connected person**

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Yiping James Li	<b>848</b>	—

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 35 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Balances with related parties

##### (i) Amount due from related party

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Yiping James Li	—	24,115

##### (ii) Trade and other payables

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Juno	11,315	11,838

Note: The balances due to Juno were unsecured, trade in nature and non-interest bearing. These balances were due within 15 to 30 days.

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

For the year ended December 31, 2023

### 36 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The Group's subsidiaries are as follows:

Company name	Country/place and date of incorporation	Principal activities	Type of legal entity	Registered capital	Attributable equity interest to the equity holders of the Group	
					2023	2022
JWS Therapeutics Investment Co. Ltd.	Cayman Islands, June 19, 2020	Holding company	Exempted company with limited liability	US\$50,000	100%	100%
JW (Hong Kong) Therapeutics Limited	Hong Kong, October 3, 2017	Holding company	Limited liability company	USD6,200,000 & HKD10,000	100%	100%
JW Therapeutics (Shanghai) Co., Ltd. (上海藥明巨諾生物科技有限公司)	The PRC, February 18, 2016	Drug research and development and import and export handling	Limited liability company	USD60,500,000	100%	100%
Shanghai Ju Ming Medical Technology Co., Ltd. (上海炬明醫療技術有限公司)	The PRC, July 10, 2017	Medical research and experimental development	Limited liability company	RMB1,000,000	100%	100%
Shanghai Ming Ju Biotechnology Co., Ltd. (上海明聚生物科技有限公司)	The PRC, August 30, 2017	Clinical trial and CRO	Limited liability company	RMB1,000,000	100%	100%
JW Therapeutics R&D (Shanghai) Co., Ltd. (上海藥明巨諾生物醫藥研發有限公司)	The PRC, December 5, 2018	Drug research and development	Limited liability company	USD30,000,000	100%	100%
JW Therapeutics (Suzhou) Co., Ltd. (蘇州藥明巨諾生物科技有限公司)	The PRC, September 12, 2018	Drug research and development and manufacturing and import and export handling	Limited liability company	USD45,000,000	100%	100%
Syracuse Biopharma (Hong Kong) Limited	Hong Kong, June 7, 2018	Holding company	Limited liability company	USD13,894,000	100%	100%
Eureka (Beijing) Biotechnology Co., Ltd. (優瑞科(北京)生物技術有限公司) Note (b)	The PRC, April 2, 2007	Conducts clinical studies of T-cell therapies in China	Limited liability company	RMB40,000,000	—	100%
Aeon Therapeutics (Beijing) Limited (頤昂生物科技(北京)有限公司) Note (c)	The PRC, March 8, 2017	Conducts clinical studies of T-cell therapies in China	Limited liability company	RMB40,000,000	—	100%
JW Therapeutics LLC	The USA, January 31, 2022	Medical research and experimental development	Limited liability company	USD120,000	100%	100%

Note (a): The principally operating country of all the companies mentioned above is PRC.

Note (b): The subsidiary was liquidated on September 13, 2023.

Note (c): The subsidiary was liquidated on June 28, 2023.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at December 31,	
	2023 RMB'000	2022 RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	176,984	185,608
Prepayment for license	7,083	6,965
Investments in subsidiaries	1,036,884	990,533
	<u>1,220,951</u>	<u>1,183,106</u>
<b>Current assets</b>		
Other receivables and prepayments	2,726,298	2,360,567
Cash and cash equivalents	752,255	1,052,773
Other current assets	176	135
	<u>3,478,729</u>	<u>3,413,475</u>
<b>Total assets</b>	<u>4,699,680</u>	<u>4,596,581</u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	27	27
Reserves	6,672,811	6,565,745
Accumulated losses	(2,014,982)	(1,978,266)
	<u>4,657,856</u>	<u>4,587,506</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>	—	—
<b>Total non-current liabilities</b>	—	—
<b>Current liabilities</b>		
Trade and other payables	41,824	9,075
<b>Total current liabilities</b>	<u>41,824</u>	<u>9,075</u>
<b>Total liabilities</b>	<u>41,824</u>	<u>9,075</u>
<b>Total equity and liabilities</b>	<u>4,699,680</u>	<u>4,596,581</u>

The balance sheet of the Company were approved by the Board of Directors on March 20, 2024 and were signed on its behalf.

**Dr. Yiping James Li**  
Director

**Ms. Xing Gao**  
Director

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

	Share premium <i>RMB'000</i>	Share-based compensation reserve <i>RMB'000</i>	Treasury Shares held in trust <i>RMB'000</i>	Foreign currency translation <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Balance at January 1, 2022</b>	6,080,667	238,131	(1)	(203,399)	1	6,115,399
Share based compensation expenses	—	82,502	—	—	—	82,502
Currency translation differences	—	—	—	367,750	—	367,750
Issuance of ordinary shares	94	—	—	—	—	94
<b>Balance at December 31, 2022</b>	<b>6,080,761</b>	<b>320,633</b>	<b>(1)</b>	<b>164,351</b>	<b>1</b>	<b>6,565,745</b>
<b>Balance at January 1, 2023</b>	<b>6,080,761</b>	<b>320,633</b>	<b>(1)</b>	<b>164,351</b>	<b>1</b>	<b>6,565,745</b>
Share based compensation expenses	—	34,965	—	—	—	34,965
Currency translation differences	—	—	—	72,074	—	72,074
Issuance of ordinary shares	27	—	—	—	—	27
<b>Balance at December 31, 2023</b>	<b>6,080,788</b>	<b>355,598</b>	<b>(1)</b>	<b>236,425</b>	<b>1</b>	<b>6,672,811</b>

## Definitions and Glossary of Technical Terms

In this report, unless the context otherwise requires, the following expressions have the meanings set out below. These expressions and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled expressions adopted by other companies operating in the same industries as our Company.

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“AGM(s)”	annual general meeting(s) of the Company
“Articles of Association”	the eighth amended and restated articles of association of the Company adopted by special resolution passed on June 29, 2022
“Audit Committee”	the audit committee of the Board
“BCMA License Agreement”	the license agreement entered into between our Company and Juno dated April 11, 2019
“Board”, “our Board” or “Board of Directors”	the board of Directors of our Company
“Board Committees”	the Audit Committee, the Nomination Committee and the Remuneration Committee
“CAR”	chimeric antigen receptor
“CAR-T”	chimeric antigen receptor T-cell
“CEO”	the chief executive officer of our Group
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Chairman”	the chairman of the Board
“CMC”	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “the Company” or “JW Therapeutics”	JW (Cayman) Therapeutics Co. Ltd (Stock code: 2126), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 6, 2017, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

## Definitions and Glossary of Technical Terms

“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely Shanghai Ju Ming and its subsidiaries Shanghai Ming Ju and Suzhou Ming Ju Biotechnology Co., Ltd. (蘇州明聚生物科技有限公司)
“Contractual Arrangements”	a series of contractual arrangements entered into among Shanghai Ju Ming, JW Shanghai and the Registered Shareholders for control over the Consolidated Affiliated Entities, details of which are described in the section headed “Contractual Arrangements” in this report
“Director(s)”	the director(s) of the Company
“Dr. Li”	Dr. Yiping James Li, our executive Director, the Chairman and the CEO
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an independent industry consultant
“Global Offering”	the Hong Kong public offering and the international offering of the Shares
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and the Consolidated Affiliated Entities from time to time
“HKD” or “HK\$” or “HK dollars”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“IND”	investigational new drug or investigational new drug application, also known as clinical trial application in China
“Joint Global Coordinators”	Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch, China International Capital Corporation HongKong Securities Limited and CLSA Limited
“Joint Sponsors”	Goldman Sachs (Asia) L.L.C. and UBS Securities Hong Kong Limited
“Juno”	Juno Therapeutics, Inc., a company incorporated in Delaware, the United States on August 5, 2013 under its former name, FC Therapeutics, Inc., a wholly-owned subsidiary of Celgene which is in turn wholly-owned by BMS, and is one of our Substantial Shareholders

## Definitions and Glossary of Technical Terms

“JW Shanghai”	JW Therapeutics (Shanghai) Co., Ltd. (上海藥明巨諾生物科技股份有限公司), a limited liability company established under the laws of the PRC on February 18, 2016, and one of the Company’s subsidiaries
“License and Strategic Alliance Agreement”	the license and strategic alliance agreement entered into between our Company and Juno in December 2017
“Listing”	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	November 3, 2020, being the date on which the Shares were listed on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the eighth amended and restated memorandum of association of the Company adopted by special resolution passed on June 29, 2022
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“NDA”	new drug application
“NMPA”	National Medical Products Administration (國家藥品監督管理局) and its predecessor, China Food and Drug Administration (國家食品藥品監督管理總局)
“Nomination Committee”	the nomination committee of the Board
“Post-IPO Incentivization Scheme”	the Post-IPO Share Incentivization Scheme adopted by the Company on October 14, 2020
“Post-IPO Restricted Share Unit Scheme”	the Post-IPO Restricted Share Unit Scheme adopted by the Company on October 14, 2020
“Pre-IPO Incentivization Scheme”	the Pre-IPO Incentivization Scheme adopted by the Company on September 4, 2019
“Prospectus”	the prospectus of the Company dated October 22, 2020
“R&D”	research and development

## Definitions and Glossary of Technical Terms

“Registered Shareholders”	the registered shareholders of Shanghai Ju Ming, being Mr. Fu Xin (傅欣), our chief financial officer who resigned on December 15, 2023 and Ms. Xing Gao (高星), our non-executive Director, as at the date of this annual report
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the one-year period from January 1, 2023 to December 31, 2023
“Restricted Share Unit Scheme”	the Restricted Share Unit Scheme adopted by the Company on September 4, 2019
“Restricted Share Unit Schemes”	the Restricted Share Unit Scheme and the Post-IPO Restricted Share Unit Scheme
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“RSU(s)”	the restricted share unit(s) granted pursuant to the Restricted Share Unit Scheme
“Series A2 Preferred Shares”	the series A2 preferred shares of the Company
“Series X Preferred Shares”	the series X preferred shares of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Ming Ju”	Shanghai Ming Ju Biotechnology Co., Ltd.* (上海明聚生物科技有限公司), a limited liability company established under the laws of the PRC on August 30, 2017 and our Consolidated Affiliated Entity
“Shanghai Ju Ming”	Shanghai Ju Ming Medical Technology Co., Ltd.* (上海炬明醫療技術有限公司), a limited liability company established under the laws of the PRC on July 10, 2017 and our Consolidated Affiliated Entity
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of US\$0.00001 each
“Share Incentivization Schemes”	our Pre-IPO Incentivization Scheme, Restricted Share Unit Schemes and Post-IPO Incentivization Scheme
“Shareholder(s)”	holder(s) of Share(s)
“sNDA”	supplemental new drug application
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

## Definitions and Glossary of Technical Terms

“subsidiary” or “subsidiaries”	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Syracuse Cayman”	Syracuse Biopharma (Cayman) Ltd., a limited liability company established under the laws of Cayman Islands on December 7, 2017 under its former name, Warrior Biopharma (Cayman) Ltd., and one of our Substantial Shareholders
“United States”, “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars”, “U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“WuXi AppTec” or “WXAT”	WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司), a joint stock company with limited liability incorporated under the laws of PRC in December 2000 and whose H shares are listed on the Stock Exchange (SEHK: 2359) and A shares are listed on the Shanghai Stock Exchange (SSE: 603259)
“WXAT Shanghai”	WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司), a company incorporated under the laws of PRC on April 2, 2002, and a directly wholly-owned subsidiary of WXAT, and directly owns WXAT HK
“%”	per cent

\* For identification purpose only