CanSino Biologics Inc.
康希諾生物股份公司

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

(Stock code: 6185)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

The board (the "**Board**") of directors (the "**Directors**") of CanSino Biologics Inc. (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries for the year ended December 31, 2023.

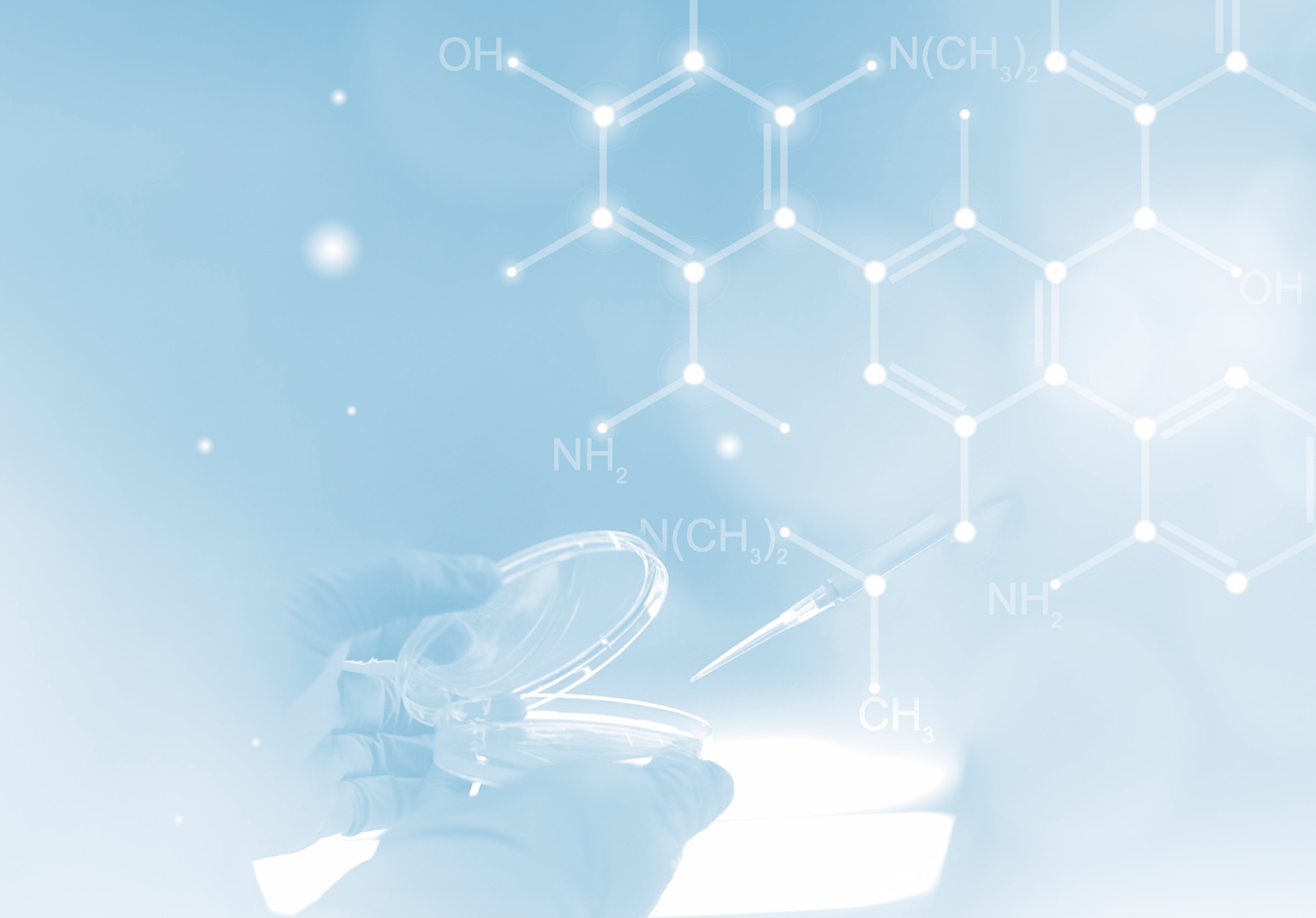
This results announcement, containing the full text of the Company's annual report for the year ended December 31, 2023, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results. The Board and the audit committee of the Board have reviewed and confirmed this results announcement.

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.cansinotech.com). The Company's annual report for the year ended December 31, 2023 will be dispatched to the shareholders of the Company and will be available on the above websites in due course.

By order of the Board
CanSino Biologics Inc.
Xuefeng YU
Chairman

Hong Kong, March 27, 2024

As of the date of this announcement, the Board comprises Dr. Xuefeng YU, Dr. Shou Bai CHAO and Ms. Jing WANG as executive Directors, Ms. Nisa Bernice Wing-Yu LEUNG as a non-executive Director, and Mr. Shuifa GUI, Mr. Jianzhong LIU and Mr. Yiu Leung Andy CHEUNG as independent non-executive Directors.



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Xuefeng YU
(Chairman, chief executive officer and general manager)
Dr. Shou Bai CHAO
(Chief operating officer and deputy general manager)
Dr. Tao ZHU (retired from February 21, 2024)
(Chief scientific officer and deputy general manager)
Dr. Dongxu QIU (retired from February 21, 2024)
(Executive vice president and deputy general manager)
Ms. Jing WANG
(Chief commercial officer and deputy general manager)

Non-executive Directors

Mr. Liang LIN (retired from February 21, 2024)
Ms. Nisa Bernice Wing-Yu LEUNG
Mr. Zhi XIAO (resigned from February 21, 2024)

Independent Non-executive Directors

Mr. Shiu Kwan Danny WAI (retired from February 21, 2024)
Ms. Zhu XIN (retired from February 21, 2024)
Mr. Shuifa GUI
Mr. Jianzhong LIU
Mr. Yiu Leung Andy CHEUNG (effective from February 21, 2024)

AUDIT COMMITTEE

Mr. Yiu Leung Andy CHEUNG *(Chairman)* (effective from February 23, 2024)
Mr. Shuifa GUI
Mr. Jianzhong LIU (effective from February 23, 2024)
Ms. Zhu XIN *(Chairwoman)* (retired from February 21, 2024)
Mr. Shiu Kwan Danny WAI (retired from February 21, 2024)

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Shuifa GUI *(Chairman)*
Mr. Yiu Leung Andy CHEUNG (effective from February 23, 2024)
Dr. Xuefeng YU (effective from February 23, 2024)
Ms. Zhu XIN (retired from February 21, 2024)
Mr. Jianzhong LIU (retired from February 23, 2024)
Dr. Shou Bai CHAO (retired from February 23, 2024)
Mr. Liang LIN (retired from February 21, 2024)

NOMINATION COMMITTEE

Mr. Jianzhong LIU *(Chairman)*
Mr. Yiu Leung Andy CHEUNG (effective from February 23, 2024)
Mr. Shuifa GUI
Ms. Nisa Bernice Wing-Yu LEUNG
Dr. Xuefeng YU
Mr. Shiu Kwan Danny WAI (retired from February 21, 2024)

SUPERVISORS

Mr. Zhi XIAO *(Chairman)* (effective from February 21, 2024)
Ms. Jiangfeng LI (retired from February 21, 2024)
Dr. Zhongqi SHAO
Ms. Yuan ZHOU

AUTHORISED REPRESENTATIVES

Dr. Xuefeng YU
Mr. Ming King CHIU

JOINT COMPANY SECRETARIES

Mr. Jin CUI
Mr. Ming King CHIU *(FCG HKFCG (PE))*

HEADQUARTERS AND REGISTERED OFFICE IN THE PRC

401-420, 4th Floor
Biomedical Park
185 South Avenue
TEDA West District
Tianjin
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

HONG KONG H SHARE REGISTRAR

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

HONG KONG LEGAL ADVISER

Kirkland & Ellis
26th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRC LEGAL ADVISER

Jingtian & Gongcheng
34th Floor, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District, Beijing
PRC

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F One Pacific Place
88 Queensway
Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 6185
Shanghai Stock Exchange: 688185

COMPANY WEBSITE

www.cansinotech.com

Financial Summary

In this report, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this report have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

A summary of the operating results and the assets and liabilities of the Group for the last five financial years is set out below:

	For the Year ended December 31,				
	2023	2022	2021	2020	2019
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating Results					
Revenue	**345,182**	1,031,041	4,299,702	18,544	–
Operating (loss) profit	**(2,035,182)**	(1,368,742)	1,911,612	(400,859)	(200,245)
(Loss)profit before income tax	**(1,978,884)**	(1,184,001)	1,936,787	(396,638)	(156,766)
(Loss)profit for the year	**(1,967,433)**	(964,757)	1,907,086	(396,638)	(156,766)
Total comprehensive (expense) income	**(1,967,730)**	(964,636)	1,907,086	(396,638)	(156,766)
(Loss)earnings per Share					
Basic and diluted (loss) earnings per share (in RMB)	**(6.01)**	(3.68)	7.74	(1.72)	(0.77)

	As of December 31,				
	2023	2022	2021	2020	2019
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Position					
Non-current assets	**4,137,941**	3,738,775	2,584,343	1,327,430	990,253
Current assets	**5,180,828**	7,730,185	9,289,844	5,420,643	794,245
Total assets	**9,318,769**	11,468,960	11,874,187	6,748,073	1,784,498
Total equity	**5,287,415**	7,245,602	8,547,884	6,070,854	1,470,516
Non-current liabilities	**1,439,510**	1,281,293	451,361	264,366	189,687
Current liabilities	**2,591,844**	2,942,065	2,874,942	412,853	124,295
Total liabilities	**4,031,354**	4,223,358	3,326,303	677,219	313,982
Total equity and liabilities	**9,318,769**	11,468,960	11,874,187	6,748,073	1,784,498

Chairman's Statement

Dear Shareholders and stakeholders,

We sincerely thank you for your attention and support to the business and development of CanSinoBIO. Since its establishment in 2009, CanSinoBIO has undergone an evolving journey from catching up to leading, and has become more resilient and robust over the past fifteen years. The year 2023 stood out significantly, marked by breakthroughs, transformations, and new dynamics in the industry, all of which posed formidable challenges to us. On behalf of the Board of the Company, I am pleased to present the 2023 annual report of CanSinoBIO to the Shareholders.

In 2023, we directed our efforts inward and achieved steady advancements. Menhycia®, a quadra-valent meningococcal conjugate vaccine, has provided a better solution for the prevention and control of the meningococcal disease among infants and children in China, and has been widely accepted and recognized since its launch. In 2023, the Company generated a revenue of RMB561.7 million from the sales of meningococcal conjugate vaccines, representing a year-on-year increase of 266.4%, contributing to the steady development of the Company.

In 2023, we made continuous progress, with triumphant news continually streaming in. Within the pneumonia product portfolio, the review and approval process for the NDA for PCV13*i* is underway. For the global innovative broad-spectrum PBPV, the on-site work of the phase Ib clinical trial has been completed. Within the product portfolio of diphtheria, tetanus and acellular pertussis, the DTcP Infant has entered the phase III clinical trial stage and the phase I clinical trial for the Tdcp Adolescent and Adult has commenced. The diphtheria, tetanus and acellular pertussis (components) combined vaccine is also being accelerated into the clinical stage.

In 2023, we remained market-oriented and adaptive to the evolving environment. With the global aging population and increased awareness of public health and safety, the adult vaccine market has shown substantial potential. Therefore, we have expedited the expansion of our adult vaccine pipeline by initiating phase I clinical trial for the Tetanus Vaccine, conducting phase I clinical trial for the Recombinant Zoster Vaccine (including intramuscular injection and inhaled version) in Canada, and carrying out a post-commercialization clinical trial to extend the age group for the quadra-valent meningococcal conjugate vaccine to adults.

In 2023, we have carried out extensive cooperation and expedited our strategic initiatives. Aligned with our internationalization strategy, we have launched intensive cooperation with international partners and accelerated both international R&D cooperation and commercialization efforts. We had in-depth communications with Indonesian President Joko Widodo and other prominent international figures to explore important cooperation projects such as tuberculosis vaccines. In addition, investments were made in collaboration with Solution Group Berhad in Malaysia. Meanwhile, our products and technologies also received wide recognition in industry. We entered into a framework agreement with AstraZeneca AB to provide contractual development and manufacturing services for its mRNA vaccine program. The Bill & Melinda Gates Foundation provided project funding for the development of our Recombinant Poliomyelitis Vaccine, which is currently undergoing phase I clinical trial in Australia.

Admittedly, the Company encountered significant challenges in its financial performance in 2023, but we continued to maintain a healthy financial position by prioritizing resource allocation and implementing cost control measures to improve operational efficiency. We firmly believe that our innovation-driven and quality-oriented philosophy is a solid foundation for our long-term development. On the one hand, we have proactively enhanced the commercialization of our two meningococcal conjugate vaccines, leveraging our first-to-market competitive advantage of quadra-valent meningococcal conjugate vaccines to seize the window of market share enhancement; on the other hand, we have concentrated on our key product pipelines and explored novel technology platforms and collaboration models to continuously strengthen our core competitiveness. These measures will ensure the steady navigation of our ship through the turbulent waters and mitigate the adverse impacts stemming from shifts in the market demand for the COVID-19 vaccines.

As a new year dawns, renewal permeates everything. The breakthroughs and achievements in the past may appear as mere words, yet behind them lie countless hours of hard work and relentless efforts. We are fully aware of the challenges ahead, but we are prepared and committed to overcoming them. We hope that we can continue to join hands with all stakeholders to advance the vision of "innovation for a safer world", and create greater value for public health.

Dr. Xuefeng YU
Chairman and Chief Executive Officer

OVERVIEW

CanSinoBIO's mission is to develop, manufacture and commercialize high quality, innovative and affordable vaccines. Our mission is being fulfilled by an accomplished team of founders and senior management – world-class scientists with a record of leading the development of innovative international vaccines at global pharmaceutical companies. Other management members are also vaccine industry veterans from leading multi-national and domestic biologics companies.

Our vaccine pipeline, which is strategically designed to address the vast and underserved market worldwide, can be summarized into three categories: (i) globally innovative vaccines to serve the unmet medical needs worldwide (such as our Convidecia®, Convidecia Air®, Ad5-EBOV, COVID-19 mRNA vaccine candidate, TB Booster candidate, PBPV candidate, Recombinant Zoster Vaccine candidate and Tetanus Vaccine candidate); (ii) first-in-class domestic vaccines with higher quality developed to replace the current primary vaccines in China (such as our Menhycia® and Menphecia®, PCV13*i*, Tdcp Adolescent and Adult, DTcP Infant vaccine and Recombinant Poliomyelitis Vaccine candidates); and (iii) pre-clinical vaccine candidates (such as our Hib Vaccine, CS-2023 meningococcal vaccine, CS-2028 multivalent pneumococcal conjugate vaccine and CS-2201 DTcP components combined vaccines candidates).

We have a broad portfolio of vaccines and vaccine candidates for more than 10 disease areas, headlined by five commercialized products. Our product pipeline as of the date of this report is set out below:

BUSINESS REVIEW

Research & Development

Our Products

- ### Our Commercial Stage Products

Menhycia® and Menphecia®

Menhycia® is a China first-in-class and first NDA approved MCV4 vaccine. Compared with existing products in this regard, Menhycia® has significantly improved and upgraded the process of current products by leveraging the Company's advanced synthetic vaccine technology, along with the enhanced formulation and delivery technology. The commercialization of Menhycia® will not only bridge the gap between China and developed countries but also fulfil the demands for high-end vaccines in this field within China by filling the vacancy.

Menphecia® is a China best-in-class bi-valent meningococcal vaccine, which competes with domestic MCV2 products commercialized by well-known manufacturers in China.

Commercialization

Menhycia® was granted NDA approval by the NMPA in December 2021, making it the first MCV4 vaccine approved in China. Save for Menhycia®, the current quadra-valent meningococcal vaccines in China are all MPSV4 products with a limited age indication. In contrast, our Menhycia® is applicable for children aged from 3 months to 3 years old (47 months), with good safety and immunogenicity profiles demonstrated in clinical trials. The Company has established the Commercial Operation Center (COC) with a comprehensive system to enable the Company's commercialization team to develop and implement domestic and overseas promotion strategies and marketing operations for Menhycia®.

The Company obtained NDA approval from the NMPA in June 2021 for commercialization of Menphecia® in the PRC.

As of the date of this report, Menhycia® and Menphecia® have been successfully marketed in 30 provinces and cities in China, and their penetration rate continues to increase. In terms of clinical trials for MCV4 in people aged 4-6 years old, we have formally completed patient case enrolment and are currently conducting follow-up visits and sample collection as scheduled. We have initiated the indication extension clinical trial in people aged 18-59 years old for MCV4 and the first trial patient case has been formally enrolled.

Convidecia®, Convidecia Air® and XBB.1.5 Variant

Convidecia® is a genetic engineered vaccine with the replication-defective adenovirus type 5 as the vector to express SARS-CoV-2 spike protein, which is used to prevent COVID-19 disease.

Convidecia Air® is the first global aerosolized recombinant viral vector COVID-19 vaccine for inhalation, which can not only stimulate humoral and cellular immunity, but also induce mucosal immunity to achieve triple comprehensive protection efficiently without intramuscular injection. Notably, Convidecia Air® offers unique advantages, including safety, effectiveness, painlessness, convenience and availability. By leveraging the same adenovirus vector technological platform as the intramuscular Convidecia®, Convidecia Air® provides a non-invasive option that employs a nebulizer to convert liquid into an aerosol for inhalation through the mouth. Convidecia Air® is needle-free and can effectively triggers comprehensive immune protection in response to SARS-CoV-2.

Commercialization

As of December 31, 2023, Convidecia® has obtained emergency use authorizations in various countries overseas, and has been granted conditional marketing approval by the NMPA in China and conditional approval in Malaysia.

In May 2023, Convidecia® obtained a certificate of registration from the Pharmacy and Poisons Board of Hong Kong and has been successfully registered as a pharmaceutical product in Hong Kong. Following this successful registration, Convidecia® is no longer limited to emergency use, and individuals with willingness to be vaccinated could receive vaccination at medical institutions or clinics in Hong Kong upon prescription by a medical practitioner.

In August 2023, Convidecia® received the Halal Decree by the Assessment Institute for Foods, Drugs and Cosmetics of Majelis Ulama Indonesia (LPPOM MUI), signifying that Convidecia® has gained access to the globally recognized Muslim market, which is conducive to the progress of the Company's internationalization.

In December 2023, XBB.1.5 Variant has been included for emergency use in China. XBB.1.5 Variant will contribute to the renewal of immunization strategies and provide better protection to the population.

Since September 2022, Convidecia Air® was included for emergency use as a booster vaccine in the PRC and was widely vaccinated. Subsequently, Convidecia Air® received emergency use authorizations in Morocco and Indonesia.

Ad5-EBOV

Ad5-EBOV uses adenovirus vector technology to induce immune response against Ebola virus disease, a severe illness caused by Ebola viruses with an average mortality rate of about 50%. In October 2017, Ad5-EBOV received NDA approval in China for emergency use and national stockpile, making it the first approved Ebola virus vaccine in China. The Company has also obtained a GMP certificate for Ad5-EBOV.

Compared with the existing Ebola virus vaccines and vaccine candidates worldwide, Ad5-EBOV has several key advantages: (i) it has a better stability profile attributable to its freeze-dried dosage form and is approved to be stored between 2°C to 8°C for 12 months; (ii) it is an inactive non-replicating viral vector vaccine with fewer safety concerns; and (iii) it holds potential as a broad spectrum protection vaccine against the Zaire Ebola virus.

While the Company currently does not anticipate significant commercial contributions from Ad5-EBOV in the future, the development of Ad5-EBOV marks a significant milestone as the first successful application of the Company's viral vector-based technology. It also serves as a testament to the Company's commitment to shoulder social responsibility and showcases its performance in the field.

- ## Candidates at clinical trial stage

PCV13*i*

PCV13*i* is a potential best-in-class improved PCV13. The Company has implemented enhancements in the conjugate design and manufacturing processes of its PCV13*i* candidate by leveraging its proprietary know-how in conjugate vaccine manufacturing.

In April 2021, the Company initiated the enrollment of participants for a phase III clinical trial for PCV13*i* and completed on-site work for this trial in 2022.

In January 2024, the Company obtained the final report of phase III clinical trial for PCV13*i*. The final report shows that PCV13*i* exhibits a favorable safety and immunogenicity profile, and the clinical study has reached its pre-determined clinical conclusion in the target population based on the data available to date.

In February 2024, the NMPA granted a notice of acceptance to the Company's new drug application for registration and marketing of domestic manufactured drugs for PCV13*i*.

The Company expects to obtain the NDA approval for PCV13*i* in 2025.

PBPV

PBPV is a globally innovative pneumococcal vaccine candidate. Currently, the 23-valent pneumococcal polysaccharide vaccine (PPV23) products and the 13-valent pneumococcal conjugate vaccine (PCV13) products are all serotype-based, which are effective against only up to 23 pneumococcal serotypes but not able to protect against all of the 90 plus serotypes. The Company's PBPV candidate is not serotype-dependent. It adopts antigens derived from the pneumococcal surface protein A, or PspA, a highly-conserved protein expressed by virtually all pneumococci. PBPV contains four types of protein, offering the potential for broader coverage in the elderly compared to existing PPV23 and PCV13 products.

In March 2023, the Company officially initiated phase Ib clinical trial for PBPV. As of the date of this report, on-site work for PBPV has been completed. Future development plans for PBPV will be assessed by the Company based on the results obtained from phase Ib clinical trial. The Company expects to share the major clinical data in mid-2024.

DTcP Infant

The Company is developing a potential best-in-class DTcP vaccine for infants for primary vaccination in China. The manufacturing process of the co-purified diphtheria, tetanus and acellular pertussis vaccine (DTaP) currently available in China uses a process of co-purification of pertussis antigens. As a diphtheria, tetanus and acellular pertussis (components) vaccine, each pertussis antigen of the DTcP Infant can be purified separately and formulated in a defined ratio, thus ensuring batch-to-batch consistency of product quality and making the product more stable. As of the date of this report, no domestically manufactured component vaccine for diphtheria, tetanus and acellular pertussis has been approved for marketing in China. Our DTcP Infant is positioned as a viable alternative to imported vaccines in China. Furthermore, the development of DTcP Infant establishes a solid foundation for the further development of our Tdcp Adolescent and Adult, as well as CS-2201 DTcP components combined vaccine. The product portfolio of diphtheria, tetanus and acellular pertussis (components) vaccine will further enrich the Company's product strategy and enhance its core competitiveness.

In August 2023, the phase III trial for DTcP Infant was officially initiated and the first trial patient case has been formally enrolled.

As of the date of this report, the Company has completed all patient case enrolment and the first three-dose of preliminary immunisation is expected to be completed in the first half of 2024. The Company expects to commence pre-NDA process in 2025.

Tdcp Adolescent and Adult

The Tdcp Adolescent and Adult is a booster vaccine for diphtheria, tetanus and acellular pertussis for adolescents and adults aged six years old and above. While major developed countries have already incorporated the vaccine into their routine vaccination programs, there is currently no approved booster vaccine for diphtheria, tetanus and acellular pertussis for adolescents and adults in China. Therefore, the successful launch of this product will address the existing gap in the domestic market. The manufacturing process of the co-purified diphtheria, tetanus and acellular pertussis vaccine currently available in China uses a process of co-purification of pertussis antigens. As a diphtheria, tetanus and acellular pertussis (components) vaccine, each pertussis antigen of the Tdcp Adolescent and Adult can be purified separately and formulated in a defined ratio, thus ensuring batch-to-batch consistency of product quality and making the product more stable. The Tdcp Adolescent and Adult candidate is a potential global best-in-class vaccine developed to compete against world-class vaccines such as Boostrix and Adacel. Its development aims to provide a high-qualify vaccine option on par with world-class standards.

Based on the results of the internal evaluation and external communication, and taking into account the progress and the cost of R&D, the Company has decided to initiate clinical trials of the DTcP Booster in combination with the Tdcp Adolescent and Adult, and support the enrollment of these populations in the regulatory filing process.

In June 2023, the Tdcp Adolescent and Adult candidate obtained clinical trial approval granted by the NMPA to initiate relevant clinical trials in individuals aged 6 years old and above for the prevention of pertussis, diphtheria, and tetanus in China.

In December 2023, the phase I clinical trial for the Tdcp Adolescent and Adult was officially initiated and the first trial patient case has been formally enrolled. As of the date of this report, the Company has completed all patient case enrolment for Tdcp Adolescent and Adult.

Tetanus Vaccine

The Company has developed the Tetanus Vaccine which is fermented with animal-free culture medium and is thus safer. Furthermore, stable industrial scale processes have been identified for its development and production. This vaccine primarily targets for non-neonatal tetanus prevention, which will expand the Company's product pipeline and enhance its core competitiveness.

In July 2023, the Tetanus Vaccine developed by the Group has obtained clinical trial approval from the NMPA to initiate relevant clinical trials in individuals aged 18 years old and above for the prevention of tetanus.

In December 2023, the phase I clinical trial for the Tetanus Vaccine was officially initiated and all trial patient case has been formally enrolled. In March 2024, the phase III clinical trial for the Tetanus Vaccine was officially initiated.

TB Booster

The Company is working on the development of a globally innovative TB Booster candidate for the Bacillus Calmette-Guerin-vaccinated population. The phase Ia clinical trial showed that the Ad5Ag85A TB candidate is safe, well tolerated, and capable of enhancing the immunity in the Bacillus Calmette-Guerin-vaccinated population. To facilitate the development and commercialization of products in the tuberculosis field, the Company obtained a world-wide exclusive license from McMaster University in Canada based on technology information rights owned by McMaster University related to TB Booster and its phase I clinical trial, as well as a non-exclusive sub-license to relevant adenovirus patent rights licensed to McMaster University.

In 2021, the phase Ib clinical trial for the TB Booster candidate was completed in Canada, aiming to evaluate the safety and immune responses stimulated by the TB Booster candidate in blood and lungs.

Looking ahead, the Company will initiate an IND for TB Booster (an improved version) in Indonesia in 2024.

Recombinant Zoster Vaccine

The Recombinant Zoster Vaccine adopts ChAdOx1 Vector technology route. The adenovirus vector vaccine is capable of triggering cellular immunity and humoral immunity simultaneously. The Recombinant Zoster Vaccine candidate incorporates internationally leading process technology and adheres to a quality management and control system that meets international standards. To improve the safety of the final product, the entire production process of the Recombinant Zoster Vaccine candidate does not use animal derived ingredients throughout its development and production stages.

In July 2023, the Recombinant Zoster Vaccine developed by the Group in co-operation with Vaccitech (UK) Limited has received a no-objection letter for clinical trials from Health Canada. Both intramuscular injection version and aerosol inhalation version of Recombinant Zoster Vaccine are approved for clinical trials. As shown in pre-clinical research data, the Recombinant Zoster Vaccine was able to stimulate both humoral and cellular immunity, with no significant difference in humoral immunity compared to Shingrix, a recombinant subunit adjuvanted vaccine developed by a multi-national pharmaceutical company, and can elicit significantly higher systemic cellular response than Shingrix. It is expected that the Recombinant Zoster Vaccine candidate has the potential to be a product with high efficacy profile.

In November 2023, the phase I clinical trial for the Recombinant Zoster Vaccine was officially initiated in Canada and the first trial patient case has been formally enrolled. Phase I clinical trial for Recombinant Zoster Vaccine (includes intramuscular injection and inhaled version) was to evaluate its safety and preliminary immunogenicity. The Company will evaluate the future development plans for Recombinant Zoster Vaccine based on the results obtained from phase I clinical trial. The Company expects to share the major clinical data in 2024.

Recombinant Poliomyelitis Vaccine

Based on the protein structure design and VLP assembly technology of the Company, the Recombinant Poliomyelitis Vaccine developed by the Company expects to contribute substantially to global polio control including post-eradication. The Recombinant Poliomyelitis Vaccine is a non-infectious polio VLP vaccine with good safety and immunogenicity profiles that does not rely on live virus in the manufacturing process. Unlike existing attenuated and inactivated polio vaccines, non-infectious polio VLP vaccines are recommended by the WHO as one of the preferred vaccines for future polio vaccination.

In October 2023, the Group and Bill & Melinda Gates Foundation has entered into a Grant Agreement, pursuant to which with the mutually agreed request, Bill & Melinda Gates Foundation agreed to provide over US$2 million in total to support the development of the Recombinant Poliomyelitis Vaccine.

In January 2024, the phase I clinical trial for the Recombinant Poliomyelitis Vaccine was officially initiated and the first trial patient case has been formally enrolled in Australia.

Hib Vaccine

Haemophilus influenzae is the causative agent of many serious diseases such as pneumonia, meningitis and septicaemia in infants and adolescents, which is mainly transmitted through salivary droplet infection. The susceptible population is children under 5 years old, especially infants and children between 2 months and 2 years old. 95% of the serious diseases caused by haemophilus influenzae are caused by haemophilus influenzae type b. The Hib Vaccine candidate is expected to induce good immunogenicity profile, producing a favorable immune response after vaccination, which can induce the body to generate effective and protective bactericidal antibodies. The Company is developing a combined vaccine based on the DTcP components, of which the Hib Vaccine candidate is an important component. As a vaccine that has not been approved for commercialisation, it is necessary to accumulate a certain amount of clinical data in order to support the registration and application of the combined vaccine based on the DTcP components in the future. As of the date of this report, an application for clinical trials of the Hib Vaccine has been made and has been accepted.

COVID-19 mRNA vaccine

As of the date of this report, the COVID-19 mRNA vaccine is currently at clinical trial stage. The Group is closely tracking variant mutant strains, and will plan the next stage of R&D work according to future epidemic situation, national immunization strategy, review policies and the positive clinical data obtained so far.

- ### Pre-Clinical Programs with Proof of Concept

The Company has various vaccine candidates in pre-clinical programs, including but not limited to DTcP components combined vaccine, and multiple disease specific vaccine candidates targeting meningitis and pneumonia. The Company will provide updates in due course regarding any material progress made in these pre-clinical programs.

mRNA Platform

The mRNA technology platform developed by the Group is equipped with self-designed and developed sequence optimization software, which is capable of obtaining the optimal sequences that affect the stability of key areas and effectively increase antigen expression. The process of CMC (Chemistry, Manufacturing and Controls) associated with this platform is streamlined, allowing for a shortened product development timeline and rapid realization of the research achievements into industrialized products. To support the R&D and commercialization of mRNA platform-based products, the Group has completed the phase I of the mRNA vaccine production base.

On August 7, 2023, the Group entered into a framework master product supply agreement with AstraZeneca AB, pursuant to which the Group will from time to time provide certain products and/or related services to AstraZeneca AB to support the R&D of certain vaccines by using the Group's mRNA manufacturing platform whereby the Group will manufacture and supply certain products, and provide certain related services to AstraZeneca AB for such program. The entering into of such framework agreement demonstrates the recognition of the Group's capabilities by biopharmaceutical multinational corporations and affirms the Group's R&D strengths and competitive advantages in mRNA technology platform, which is conducive to the continued expansion and enhancement of the Group's mRNA manufacturing platform.

The Group's Facilities

To date, the Group focuses its manufacturing activities on commercialization and product registration. The Group's manufacturing facility is well-equipped with advanced equipment and machinery capable of performing multiple functions, including fermentation, purification, conjugation, ultrafiltration, auto-packaging and filling.

The Group owns and operates a commercial-scale manufacturing facility in Tianjin, which is utilized for the manufacture of, among other things, Menphecia® and Menhycia®. Furthermore, the Group has established an mRNA technology platform in Shanghai, enabling it to undertake key technological research and large-scale production of mRNA vaccines independently.

In order to improve our capabilities of R&D, manufacturing, testing and storage, the Group has initiated the construction of CanSino Innovative Vaccine Industrial Campus Project, funded in part by the proceeds from its A Share Offering, aiming to enhance the manufacturing capacity to support its long-term development strategies.

Commercialization

Our commercialization mission is to provide the right vaccines to the right people. To that end, we have rapidly built up a well-oiled commercialization engine with both the systematic management approach of a multi-national company and the decision-making agility and execution efficiency of a biotech company.

We are methodical in identifying the most consequential clinical decision-makers and POVs and intentional in implementing the most effective marketing measures. Where beneficial, we will leverage the networks of local sales agents to extend our reach. We have pinpointed key vaccination sites and KOLs across China, including county CDCs, and conduct extensive education on the benefits of Menhycia®, our first-in-class MCV4 vaccine in China, over existing MCV vaccines on the market.

Throughout the Reporting Period, as we advanced the commercialization of our vaccine products, we gradually established a sales and marketing network to introduce the features of our products and the latest academic trends in relevant fields through various academic and marketing activities, and assisted doctors in local CDCs in the proper use of our products, contributing to the establishment of a positive brand image for the Company. Moreover, we focus on professional academics and customer demands in our sales and marketing plans. When formulating sales and marketing plans, we thoroughly investigate and understand the specific requirements of doctors and genuine needs of vaccine recipients. We adhere strictly to relevant laws and regulations in setting brand promotion information and producing promotional materials through a strict medical compliance review mechanism.

On August 25, 2023, CanSino Biologics (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement with Solution Group Berhad, pursuant to which CanSino Biologics (Hong Kong) Limited has conditionally agreed to subscribe for, and Solution Group Berhad has conditionally agreed to allot and issue, 43,968,600 new ordinary shares, representing approximately 10% of the total issued share of Solution Group Berhad as of the date of the subscription agreement. The subscription price in respect of each share to be subscribed shall be RM0.1950, equivalent to approximately RMB0.3034 based on the exchange rate announced by the People's Bank of China as of the date of entering into the subscription agreement. The subscription is beneficial to the Company in expanding its customer base in Southeast Asia.

Future and Outlook

CanSinoBIO's mission is to develop, manufacture and commercialize high-quality, innovative and affordable vaccines. We have established the COC with a comprehensive system in place, dedicated to the continued commercialization of our Menhycia® and Menphecia®. Our proactive marketing efforts will focus on strengthening professional academic promotions and increasing public awareness of vaccines, emphasizing the necessity and usefulness of vaccination. In order to achieve rapid penetration of our sales network, intensification and effective cost management, we will further build up our commercialization team. Meanwhile, in combination with our marketing strategy, we will take the cultural philosophy, professional and academic competence of the promoters into consideration, conduct stringent screening, management and assessment of the promoters so as to speed up the construction of the sales network and enhance the reputation and market share of our products.

We remain committed to improving R&D platform management, ensuring comprehensive quality control of products, and maximizing the technological value of our platform. By leveraging our in-house R&D and medical/clinical teams, we will continue to develop our clinical trial and pre-clinical stage assets, thereby enhancing our long-term competitiveness in the market.

Furthermore, we will continue to advance the discovery and development of new vaccine candidates through a combination of in-house R&D and strategic collaborations with external partners. We will actively explore potential global collaborations and consider acquisitions of high-potential assets related to vaccines and biological products, expand our industrialization and commercialization efforts in countries and regions such as Southeast Asia, the Middle East and Latin America to accelerate our competitiveness in the international market and lay a solid foundation for building an industrial system that meets international standards.

FINANCIAL REVIEW

Revenue

For the year ended December 31, 2023, we recorded a total revenue of approximately RMB345.2 million (2022: approximately RMB1,031.0 million). The decrease was mainly caused by the decreased demand of COVID-19 vaccines and sales return of COVID-19 vaccine products with the amount of RMB253.2 million (2022: approximately RMB290.2 million), which resulted in a negative impact on revenue. Revenue from our meningococcal vaccines sales was approximately RMB561.7 million (2022: approximately RMB153.3 million) during the Reporting Period. This increase was mainly due to the continued commercialization of meningococcal vaccines. Detail of revenue by vaccines product during the Reporting Period is as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Meningococcal vaccines	**561,724**	153,313
COVID-19 vaccines	**36,656**	1,167,915
Sales return of COVID-19 vaccines	**(253,198)**	(290,187)
Total	**345,182**	1,031,041

During the Reporting Period, our revenue were primarily generated in the PRC, where the Group's business and operations are primarily located. The breakdown of our revenue by geographical segment is as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Geographical markets		
The PRC	342,026	812,758
Overseas	3,156	218,283
Total	345,182	1,031,041

Gross (Loss) Profit

For the year ended December 31, 2023, we recorded a gross loss of approximately RMB876.0 million (2022: gross loss of approximately RMB186.6 million), mainly because of the write-downs of inventory and rights to returned goods related to our COVID-19 vaccine products, impairment loss of property, plant and equipment used for COVID-19 vaccine production, impairment loss of prepayment for COVID-19 vaccine production, impairment loss of intangible assets used for R&D of COVID-19 vaccines and cost generated by low capacity utilization, which resulted in a negative impact on gross profit. Taking into account the future utilization plan of inventories and long-term assets related to COVID-19 vaccines, we performed an impairment test on inventories, right to returned goods, prepayments and long-term assets with impairment indicators, and recognized impairment provision based on the test results during the year ended December 31, 2023. During the Reporting Period, production of our COVID-19 vaccines decreased significantly due to the significant changes in demands for COVID-19 vaccines. Due to the low production volume of COVID-19 vaccines and the low utilization rate of the relevant production capacity, we recorded the fixed costs associated with the redundant production capacity as operating cost. The breakdown is as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Impairment loss of inventory and rights to returned goods	541,472	801,863
Impairment loss of Property, Plant and Equipment	325,636	–
Impairment loss of prepayment	63,510	–
Impairment loss of intangible assets	36,864	–
Cost generated by low capacity utilization	250,987	13,576
Total	1,218,469	815,439

These negative impacts were partially offset by the increase in revenue of meningococcal vaccine products during the Reporting Period.

Other Income

Our other income increased by 25.7% from approximately RMB156.9 million for the year ended December 31, 2022 to approximately RMB197.3 million for the year ended December 31, 2023, primarily due to an increase of approximately RMB58.4 million in government grants, partially offset by the decrease of approximately RMB24.0 million in investment income from structured deposits, wealth management products and derivative financial assets that we purchased from certain reputable financial institutions in China.

Selling Expenses

Our selling expenses increased from approximately RMB266.6 million for the year ended December 31, 2022 to approximately RMB353.4 million for the year ended December 31, 2023, which was primarily due to the increase in employee benefits expenses and marketing expenses as a result of our continuous efforts to advance the commercialization of Menhycia®.

Administrative Expenses

Our administrative expenses increased by 5.9% from approximately RMB278.1 million for the year ended December 31, 2022 to approximately RMB294.5 million for the year ended December 31, 2023, primarily due to an increase of approximately RMB17.3 million in employee benefits expenses.

R&D Expenses

Our R&D expenses decreased by 18.0% from approximately RMB778.3 million for the year ended December 31, 2022 to approximately RMB638.0 million for the year ended December 31, 2023, primarily due to a decrease of approximately RMB248.8 million in clinical trial and testing fees for the R&D of our vaccines, primarily resulting from the decrease in clinical trial and testing fees of COVID-19 vaccines. This decrease is partially offset by the increase of (i) approximately RMB79.2 million in employee benefits expenses, and (ii) approximately RMB22.7 million in depreciation and amortization expenses. These increase were mainly attributable to the updates on R&D of our various vaccine candidates other than COVID-19 vaccines, especially for candidates on the stage near to commercialization.

The following table sets forth the components of our R&D expenses for the years indicated:

	Year ended December 31,			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Employee Benefits expenses	**236,135**	**37.0**	156,954	20.2
Raw materials and consumables used	**172,660**	**27.1**	187,173	24.1
Clinical trial and testing fee	**108,514**	**17.0**	357,316	45.9
Depreciation and amortization	**69,602**	**10.9**	46,945	6.0
Others	**51,076**	**8.0**	29,869	3.8
Total	**637,987**	**100.0**	778,257	100.0

Other losses, net

Our net other losses increased from approximately RMB7.4 million for the year ended December 31, 2022 to approximately RMB56.8 million for the year ended December 31, 2023, primarily attributable to the compensation amounting to RMB42.4 million (2022: nil) that we need to pay for the cancellation of firm purchase commitments mostly related to COVID-19 vaccines during the Reporting Period.

Finance Income or Gains – Net

Our net finance income or gains decreased significantly from approximately RMB184.7 million for the year ended December 31, 2022 to approximately RMB56.3 million for the year ended December 31, 2023, primarily attributable to a decrease of approximately RMB140.1 million in foreign exchange gains.

Income Tax Credit

Our income tax credit for the year ended December 31, 2023 was approximately RMB11.5 million (2022: approximately RMB219.2 million) due to the recognition of deferred tax assets during the Reporting Period.

Property, Plant and Equipment

Our property, plant and equipment decreased from approximately RMB2,858.6 million as of December 31, 2022 to approximately RMB2,838.3 million as of December 31, 2023, primarily due to the impairment of property, plant and equipment recognized during the Reporting Period. This impairment was due to low utilization of certain assets as a result of decreased demand for COVID-19 vaccines.

Intangible Assets

Our intangible assets decreased from approximately RMB162.6 million as of December 31, 2022 to approximately RMB111.8 million as of December 31, 2023, primarily due to the impairment and amortization during the Reporting Period. In view of the significant changes in the market for COVID-19 vaccines and the specific nature of the non-proprietary technology of COVID-19 developed by our subsidiary, which cannot be used for other vaccine products, we recognized an impairment loss on certain intangible assets of approximately RMB36.9 million.

Inventories

Our inventories comprised finished goods, work in progress and raw materials purchased for production and R&D activities. Our inventories decreased significantly from approximately RMB677.8 million as of December 31, 2022 to approximately RMB350.7 million as of December 31, 2023, primarily because (i) the gross amount of inventories decreased from approximately RMB1,343.3 million as of December 31, 2022 to approximately RMB1,081.5 million as of December 31, 2023, primarily due to write-offs with the amount of approximately RMB407.5 million during the Reporting Period, partially offset by the net increase amounting to approximately RMB145.7 million caused by the purchase and consumption for production; and (ii) write-downs of inventories increased from approximately RMB665.5 million as of December 31, 2022 to approximately RMB730.8 million as of December 31, 2023, primarily due to the impairment provision of inventories with the amount of approximately RMB472.8 million recognized during the Reporting Period, mostly offset by the write-offs amounting to approximately RMB407.5 million. Impairment loss of inventories was mainly caused by the decrease in demand for COVID-19 vaccines during the Reporting Period and the expiration of shelf life of such inventories. We recognized impairment loss on certain inventories that cannot be sold or used for production and R&D activities before expiration based on the sales forecast and corresponding production plan.

	As of December 31, 2023			As of December 31, 2022		
	Gross Amount RMB'000	**Written down RMB'000**	**Carrying Amount RMB'000**	Gross Amount RMB'000	Written down RMB'000	Carrying Amount RMB'000
Raw Material	**617,463**	**520,739**	**96,724**	716,125	413,295	302,830
Work in progress	**251,878**	**137,071**	**114,807**	345,061	130,001	215,060
Finished goods	**212,109**	**72,985**	**139,124**	282,115	122,228	159,887
Total	**1,081,450**	**730,795**	**350,655**	1,343,301	665,524	677,777

Trade Receivables

Our trade receivables decreased from approximately RMB855.5 million as of December 31, 2022 to approximately RMB636.9 million as of December 31, 2023, primarily due to the decrease in receivables from sales of COVID-19 vaccines, partially offset by the increase in receivables from sales of meningococcal vaccines.

Other Receivables and Prepayments

The following table sets forth the components of our other receivables and prepayments as of the dates indicated:

	As of December 31, 2023 RMB'000	As of December 31, 2022 RMB'000
Prepayments to suppliers of intangible assets and property, plant and equipment	**179,863**	134,955
Value added tax recoverable	**57,924**	114,350
Prepayments to suppliers of raw materials and services	**48,546**	120,885
Others	**11,129**	9,087
	297,462	379,277
Less: non-current portion	**(237,529)**	(150,367)
Current portion	**59,933**	228,910

Our other receivables and prepayments decreased from approximately RMB379.3 million as of December 31, 2022 to approximately RMB297.5 million as of December 31, 2023, which was primarily due to a decrease of (i) approximately RMB72.3 million in prepayments to suppliers of raw materials and services, attributable to the impairment of prepayments recognized during the Reporting Period; and (ii) approximately RMB56.4 million in value added tax recoverable. These decreases were partially offset by the increase of approximately RMB44.9 million in prepayments to suppliers of intangible assets and property, plant and equipment.

Trade Payables

Our trade payables mainly included payments to be paid to raw material suppliers. The following table sets forth the aging analysis of our trade payables presented based on the date of receipt of goods or services:

	As of December 31, 2023 RMB'000	As of December 31, 2022 RMB'000
Within 1 year	**56,400**	214,084
Between 1 year and 2 years	**47,083**	39,014
Between 2 year and 3 years	**487**	22
	103,970	253,120

Our trade payables decreased significantly from approximately RMB253.1 million as of December 31, 2022 to approximately RMB104.0 million as of December 31, 2023, which was generally in line with the decrease in purchase. We did not have any material defaults in payment of trade payables for the year ended December 31, 2023.

Other Payables and Accruals

The following table sets forth the components of our other payables and accruals as of the dates indicated:

	As of December 31, 2023 RMB'000	As of December 31, 2022 RMB'000
Other payables to suppliers of property, plant and equipment	320,180	360,033
Payroll and welfare payable	166,707	182,408
Marketing service fee	116,842	65,713
Clinical trial and testing fee	67,302	89,403
Accrued taxes other than enterprise income tax	48,196	23,719
Other service fees	28,468	27,564
Considerations received from employees for subscribing restricted A shares of the Company under the 2023 Stock Ownership Plan	16,984	–
Consulting fees	14,237	16,788
Deposits from suppliers	13,294	4,459
Operation and maintenance fees	3,869	3,410
Others	70,702	18,387
	866,781	791,884
Less: non-current portion	(8,492)	–
Current portion	858,289	791,884

Our other payables and accruals increased by 9.5% from approximately RMB791.9 million as of December 31, 2022 to approximately RMB866.8 million as of December 31, 2023, primarily due to the increase of (i) approximately RMB51.1 million in marketing service; (ii) approximately RMB24.5 million in accrued taxes other than enterprise income tax, and (iii) approximately RMB17.0 million of considerations received from employees for subscribing for restricted A shares of the Company under the 2023 Stock Ownership Plan during the Reporting Period, primarily offset by the decrease of approximately RMB39.9 million in other payables to suppliers of property, plant and equipment and approximately RMB22.1 million in clinical trial and testing fee.

Provisions

We accrued provisions for firm purchase commitments amounting to approximately RMB26.2 million as of December 31, 2023 (December 31, 2022: nil), mainly caused by the cancellation or reduction of the purchase for the production of COVID-19 vaccines.

Refund Liabilities

Our refund liabilities decreased from approximately RMB253.9 million as of December 31, 2022 to approximately RMB112.8 million as of December 31, 2023. The decrease was mainly due to sales returns we received during the Reporting Period.

Financial Resources, Liquidity and Capital Structure

Our bank balances and cash decreased by 39.7 % from approximately RMB3,394.8 million as of December 31, 2022 to approximately RMB2,047.0 million as of December 31, 2023, which was primarily due to the net cash outflow during the Reporting Period as a result of payment for operating activities, purchase for property, plant and equipment and payment for investment during the Reporting Period. We are of the view that our financial resources are sufficient for our daily operations.

As of December 31, 2023, the current assets of the Group were approximately RMB5,180.8 million (December 31, 2022: approximately RMB7,730.2 million), which include bank balances and cash of approximately RMB2,047.0 million, financial assets at fair value through profit or loss of approximately RMB1,309.6 million and other current assets of approximately RMB1,824.2 million.

As of December 31, 2023, the current liabilities of the Group were approximately RMB2,591.8 million (December 31, 2022: approximately RMB2,942.1 million), which include trade payables of approximately RMB104.0 million, other payables and accruals of approximately RMB858.3 million, borrowings of approximately RMB1,394.9 million and other current liabilities of approximately RMB234.6 million.

As of December 31, 2023, the Group had short term loans of approximately RMB1,394.9 million (December 31, 2022: approximately RMB1,575.6 million) and long term loans of approximately RMB1,065.7 million (December 31, 2022: approximately RMB878.0 million). The new borrowings during the Reporting Period were raised to ensure sufficient funds for R&D activities, infrastructure projects and facility operations. The Group had new bank loans of approximately RMB1,634.6 million as of December 31, 2023 (December 31, 2022: approximately RMB2,634.4 million), aiming to fully enhance the efficiency of capital. Particulars of borrowings of the Group as of December 31, 2023 are set out in note 29 to the consolidated financial statements.

We adopt a prudent financial management approach for our treasury policy to ensure that our liquidity structure comprising assets, liabilities and other commitments are able to meet our capital requirements.

Investment in Financial Assets

With regard to capital management, based on the principle of prudence and soundness, we generally choose principal-protected structured deposits and wealth management products with interest rates and performance benchmark higher than those of bank deposits for the same period to maximize our capital gains. As of December 31, 2023, we held structured deposits of approximately RMB564.8 million, wealth management products of approximately RMB689.9 million and certificate of deposit of approximately RMB53.5 million issued by certain reputable financial institutions in China, among which, we had outstanding structured deposits purchased from China Bohai Bank Co., Ltd. with a principal amount of approximately RMB490.0 million, representing over 5.3% in aggregate of our total assets as of the end of the Reporting Period. The annual interest rate of structural deposits purchased during the year ended December 31, 2023 varied from 2.69% to 3.05%. Such structured deposits had a maturity period ranging from 36 days to 187 days and are non-cancellable before maturity.

Significant Investments, Material Acquisitions and Disposals

During the Reporting Period, we invested (i) approximately RMB91.0 million into the formation of Yuanxi Haihe (Tianjin) Biomedical Industry Fund ("Yuanxi Haihe"), which is a private fund managed by Suzhou Jinshahu Venture Capital Management Co., Ltd. and focuses on investment in pharmaceutical industry. We aim to obtain financial return from the investment on Yuanxi Haihe; and (ii) approximately RMB13.7 million for the acquisition of 9.09% equity interest in Solution Group Berhad ("Solution"), which is a technology investment company listed on ACE Market of Bursa Malaysia Securities Berhad. Solution and its subsidiaries focus on engineering and biopharma & healthcare areas. We have been cooperating with Solution's biopharmaceutical subsidiary in various aspects of vaccine field.

Future Plans for Material Investments or Capital Assets

We planned to invest approximately RMB2,244.7 million into the CanSino Innovative Vaccine Industrial Campus Project to enhance the manufacturing capacity to satisfy our long-term development strategies, and we have invested approximately RMB565.0 million as of December 31, 2023. The schedule of investment will be in line with the progress of construction.

Saved as disclosed above, we did not have any concrete future plans for material capital expenditure, investments or capital assets as of the date of this report. We will make further announcements in accordance with the Hong Kong Listing Rules, where applicable, if any investments and acquisition opportunities materialize.

Contingent Liabilities

We received the notice of a lawsuit in March 2024 from 3ª Vara Civel de Maringa/PR ("**Brazilian Court**") filed by Belcher Farmaceutica Ltda. ("**Belcher**"), claiming Brazilian Real 167 million (equivalent to approximately RMB241 million) in compensation for related losses, fees, and spiritual damage from the Company following the termination of the authorization to it to negotiate with the Brazilian government about the registration and commercialization of our COVID-19 vaccines in Brazil in 2021. Details of the lawsuit are set out in the announcement dated 14 March 2024 in relation to the Company's involvement in a lawsuit.

We have engaged a professional legal counsel to handle such lawsuit. Based on the current legal advice, we have strong defense position and it is less likely that Belcher's claim will be supported by the Brazilian Court. Therefore, the management of the Company is in the view that it is not probable an outflow of economic benefits will be required to settle the claim. As a result, no provision with respect to this lawsuit was made by the Company as at 31 December 2023. As of the date of this report, the Brazilian Court has yet to start hearing of this lawsuit.

Saved for disclosed above, the Group did not have any other significant contingent liabilities as of December 31, 2023.

Capital Commitments

Our capital commitments as of December 31, 2023 were approximately RMB317.9 million, representing a decrease of 42.3% from the capital commitments of approximately RMB551.2 million as of December 31, 2022, primarily due to the decrease in our future payments in relation to the construction of manufacture facilities.

Charge on Assets

As of December 31, 2023, certain of our property, plant and equipment have been pledged as collateral under our borrowing arrangements with banks. The carrying amount of property, plant and equipment pledged as collateral was approximately RMB166.9 million as of December 31, 2023 (December 31, 2022: approximately RMB168.9 million).

As of December 31, 2023, none of our land use rights have been pledged as collateral under our borrowing arrangements with banks.

Saved as disclosed above, there were no other charges on our assets as of December 31, 2023.

Exchange Rate Risk

Our Group mainly operates in the PRC with most of the transactions settled in RMB and USD. Our Group is exposed to fluctuations in foreign exchange risk to a certain degree as there are financial assets or liabilities of the Group denominated in the currencies other than the functional currency, including (i) cash and term deposits at bank in USD and HKD, which were primarily received from the investors as capital contributions, and (ii) trade payables and other payables to overseas suppliers. During the Reporting Period, we have entered into several agreements with commercial banks in China to hedge against the foreign exchange risk. As of December 31, 2023, the nominal amount of outstanding contracts amounted to US$60.6 million (equivalent to RMB430.0 million) and forward rates ranged from 7.0435 to 7.1817 with terms of 6 months or less. Besides, as of the date of this report, we have established a foreign exchange exposure monitoring policy, and will consider hedging against significant foreign exchange exposure of the Group should the need arise.

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents and term deposits with initial term of over 3 months, divided by total equity and multiplied by 100%. As of December 31, 2023, our Group was in a net cash position and thus, gearing ratio is not applicable.

EXECUTIVE DIRECTORS

Xuefeng YU, aged 60, is a co-founder of our Company. Dr. Yu was appointed as an executive Director in 2009. He has also served as chief executive officer since 2009. He is also currently a member of Nomination Committee and Remuneration and Assessment Committee. He is primarily responsible for overseeing strategic development, overall operations and management and major decision-making of our Group. Dr. Yu obtained a bachelor's degree in Biology and a master's degree in Microbiology from Nankai University in July 1985 and June 1988, respectively. He obtained a Ph.D. in Microbiology from McGill University in June 1998. He has more than 30 years' experience in biotech R&D. Prior to founding our Company, Dr. Yu worked for Sanofi Pasteur Limited., one of the world's leading vaccine companies since 1998 as a product development scientist, director of the Canadian division of bacterial vaccine development and global director of bacterial vaccine development. Before joining Sanofi Pasteur Limited., Dr. Yu worked for IBEX Biotechnologies Inc. (a company listed on the Toronto Stock Exchange Venture Exchange, ticker symbol: IBT) as a scientist responsible for development of therapeutic enzymes from 1996 to 1998. Dr. Yu has extensive experience in the development of biological products, enterprise operation and management. He led the introduction of a new recombinant TB vaccine candidate from McMaster University in Canada, which has been supported by Aeras Global TB Vaccine Foundation and the Ministry of Science and Technology of China. He also led the introduction of adenovirus vector cell lines and related production technologies from the National Research Council of Canada, which laid the foundation for the development of vaccines such as Ad5-EBOV and Ad5-nCoV. For more than 10 years, Dr. Yu has attracted senior talents from the vaccine industry in China and abroad to assemble a team of cutting-edge experts for the Company. Under his leadership, the Company has developed a rich pipeline for various vaccines covering more than 10 infectious diseases. As the Chairman and CEO of the Company, Dr. Yu has strategically positioned the Company to become a China and Hong Kong dually listed company from the perspective of corporate development, raising significant amount of proceeds to support Company's development. He is highly respected by investment community.

Shou Bai CHAO, aged 61, was appointed as an executive Director in 2018 and chief operating officer in the same year. He is primarily responsible for the management of daily operations and strategy development of our Group, including production management, quality control, supply chain management and information system construction. In July 1982, Dr. Chao received a bachelor's degree in inorganic chemical engineering from Jiangxi Institute of Technology (currently known as Nanchang University), a master's degree in chemical metallurgy from the Chinese Academy of Sciences in July 1985, and a Ph.D. in biochemical engineering from the University of Waterloo, Canada in October 1992. With over 30 years' experience in the biotechnology industry, prior to joining the Company, he worked for Sanofi Pasteur, Pfizer, AstraZeneca and other world-renowned multinational pharmaceutical companies, serving as technical and senior management positions. He has extensive experience in R&D, production, supply chain, quality assurance and commercialization in the field of vaccines and biopharmaceuticals, especially in large-scale industrial production management and global commercial operations. Dr. Chao has a deep understanding of global GMP regulations. He established a global biopharmaceutical large-scale commercial production system and facilities for AstraZeneca during the time when he served as senior vice president of global biopharmaceuticals of AstraZeneca, which successfully obtained approval from the U.S. Food and Drug Administration and the European Medicines Agency. The system and facilities were named the best production facilities by International Society for Pharmaceutical Engineering (ISPE) in 2011. With Dr. Chao's leadership, our Company has built a strong operation team. Since joining the Company, Dr. Chao has made outstanding contributions to the Company's IPO and financing, development and production of the COVID-19 vaccine and meningococcal combined vaccines, and the establishment of a talent system. In the COVID-19 vaccine project, Dr. Chao led the commercial scale manufacturing, quality system management, talent system establishment and team expansion, to ensure that the company launched a safe and effective, high quality COVID-19 vaccine efficiently. In addition, Dr. Chao also led in the large-scale production of COVID-19 vaccines to ensure its supply.

Jing WANG (王靖), aged 43, was appointed as an executive Director in 2021. She has served as chief commercial officer and deputy general manager of the Group since 2021, responsible for the management of overall commercial operation of the Group. Ms. Wang has served as chief financial officer of the Company from 2020 to 2021, and the secretary of the Board from 2017 to 2021. Ms. Wang holds a bachelor's degree in economics, a master's degree in engineering of Peking University and Global EMBA of China Europe International Business School (中歐國際工商學院). Ms. Wang has nearly 20 years of experience in the pharmaceutical industry. She is good at capital market operation, strategic financing, financial management, domestic and foreign marketing, corporate management, etc. After joining the Company in 2012, Ms. Wang has led the establishment of our financing, financial operations, human resource and administration systems as well as completing the pre-IPO fundraising of approximately RMB743 million. Ms. Wang successfully led the Company's IPO on the Main Board of the Hong Kong Stock Exchange in 2019 and on the Sci-tech Innovation Board of the Shanghai Stock Exchange in 2020, making the Company the first "A+H" dual listing vaccine company. In order to further promote the commercialization of the Company's products, Ms. Wang is leading the development and expansion of the Company's commercial operation center.

Tao ZHU (朱濤) *(retired)*, aged 51, is a co-founder of our Company. Dr. Zhu was appointed as an executive Director in January 2009 and retired from the Board of Directors in February 2024. Dr. Zhu has served as the chief scientific officer since January 2009. He is primarily responsible for leading vaccine R&D of our Group. In addition, Dr. Zhu is also responsible for domestic registration and clinical affairs. Dr. Zhu received a bachelor's degree in biological sciences and technology from Tsinghua University in July 1995, a master's degree in chemical engineering from Tsinghua University in June 1998, a Ph.D. in chemical engineering from University of Pittsburgh in April 2003, and then he conducted a postdoctoral study at Carnegie Mellon University in the United States before October 2004. Dr. Zhu has more than 20 years of experience in vaccine R&D and production. Prior to founding the Company, Dr. Zhu worked as a scientist at Integrated Genomics Inc. from 2004 to 2005, and joined Sanofi Pasteur in 2006, where he served as a senior scientist when he left the company in 2008. After the Company was founded, Dr. Zhu led the establishment of the world-class level major R&D technology platforms. He established a pipeline composed of more than ten new vaccines relying on the technology platforms, covering pneumonia, tuberculosis, Ebola virus disease, meningitis, DPT and a series of diseases. Together with external experts, Dr. Zhu led the team in developing the Ebola virus disease vaccine Ad5-EBOV, which has obtained the registration certificate of class I new biological products and is an innovative recombinant vaccine product independently developed in China with fully independent intellectual property rights. After the outbreak of COVID-19, Dr. Zhu once again worked with external experts to develop the COVID-19 vaccines, and make the vaccine globally leading in development speed and clinical trial results. In addition, Dr. Zhu led the development of two new meningococcal binding vaccine, which has been commercialized to fill the vacancy in the domestic market. In addition, the Company also has PBPV, PCV13*i*, the DTcP vaccines, TB Booster and other innovative vaccines that are in clinical trial stage. Dr. Zhu has various patents of inventions in China and abroad.

Dongxu QIU *(retired)*, aged 64, is a co-founder of our Company. He was appointed as an executive Director in January 2009 and retired from the Board of Directors in February 2024. Dr. Qiu served as senior vice president since January 2009. He has been the executive vice president of the Company since January 2021. He is primarily responsible for advising on the business and strategic development of our Group. Dr. Qiu graduated from Shenyang Institute of Medicine (now known as Shenyang Pharmaceutical University) in July 1982, obtained a bachelor's degree in pharmacy, and obtained a Ph.D. in pharmacy from Beijing Medical University (now known as Peking University Health Science Center) in December 1987. From November 1989 to April 1991, he continued his postdoctoral study in chemical engineering in the University of Konstanz in Germany and continued the study at the University of Montreal in Canada from May 1992 to January 1993. Dr. Qiu also received the MBA degree from the University of Western Ontario in Canada in October 2000. Dr. Qiu has nearly 30 years' experience in the biotechnology industry. Prior to founding our Company, from 1993 to 1998, he was a research scientist at Biomira. Inc. From 1999 to 2000, he served as associate director of product operations at Altarex Inc., responsible for analytical development and product formulation. Dr. Qiu became head of scientific operations at ARIUS Research Inc. from 2000 to 2002, president of Asia at MDS Capital from 2003 to 2005, advisor at Shanghai Jima Pharmaceutical Technology Co., Ltd. from 2006 to 2009, and general manager at ChinaBio LLC from 2007 to 2011. Dr. Qiu is currently a director of Suzhou GenePharma Co., Ltd. (蘇州吉瑪基因股份有限公司). After the founding of the Company, Dr. Qiu has led several rounds of corporate financing as well as the technology transfers of PCV13 and PPV23. He also promoted the successful completion of the listing of the A Shares and H Shares of the Company. At the same time, Dr. Qiu comprehensively promoted the overseas clinical work of the COVID-19 vaccine, and personally went to countries such as Pakistan and Mexico to carry out international multi-center phase III clinical trials, ensuring the smooth progress of overseas clinical trials.

NON-EXECUTIVE DIRECTORS

Nisa Bernice Wing-Yu LEUNG (梁頴宇), aged 53, was appointed as a non-executive Director in 2015. Ms. Leung is also currently a member of Nomination Committee. Ms. Leung is primarily responsible for participating in formulating the Company's corporate and business strategies. Ms. Leung joined Qiming Venture Partners, a venture capital firm in China, in 2007, and currently serves as a managing partner where she leads its health care investments. Ms. Leung also co-founded Biomedic Holdings Limited, which has operations and investments in medical devices, pharmaceuticals and health care services in China, in 2004. Ms. Leung was a venture partner at PacRim Venture Partners from 2001 to 2003. Ms. Leung served as a director at Gan & Lee Pharmaceutical Holdings Ltd. (甘李藥業股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603087) from 2010 to 2021; a non-executive director of New Horizon Health Limited (諾輝健康) (a company listed on the Hong Kong Stock Exchange, stock code: 6606) from 2018 to 2022; and as vice-chairwoman to the board of directors from 2013 to 2023 and a non-executive director from 2019 to 2023 of Venus Medtech (Hangzhou) Inc. (杭州啟明醫療器械股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 2500). Ms. Leung served as a director since 2014 and an independent director since 2020 of Zai Lab Limited (再鼎醫藥有限公司) (a company listed on the Nasdaq Stock Market, ticker symbol: ZLAB and the Hong Kong Stock Exchange, stock code: 9688); and an independent non-executive director since 2021 of Hong Kong Exchanges and Clearing Limited (a company listed on the Hong Kong Stock Exchange, stock code: 388). Ms. Leung was appointed as a Justice of the Peace in July 2016 by the Government of Hong Kong. Ms. Leung received a bachelor's degree in management from Cornell University in the United States in May 1992 and a master's degree in business administration from Stanford University in the United States in June 2001.

Liang LIN (林亮) *(retired)*, aged 49, was appointed as a non-executive Director in August 2013 and retired from the Board of Directors in February 2024. Mr. Lin was primarily responsible for participating in formulating the Company's corporate and business strategies. Prior to studying in China Europe International Business School (中歐國際工商學院), Mr. Lin served as assistant product manager at Beijing Merek Pharmaceutical Consulting., Ltd. till 2007. He served as business development manager at GlaxoSmithKline (China) Investment Co., Ltd from 2009 to 2010. Mr. Lin served as investment director from 2011 to 2017 and has been a partner since 2017 at Lilly Asia Ventures (禮來亞洲基金). He is currently a director at Ginkgo Pharma (Suzhou) Co., Ltd. (銀杏樹藥業(蘇州)有限公司), Shenzhen Ionova LifeScience Co., Ltd. (深圳市原力生命科學有限公司), Eluminex Biosciences Technology (Shanghai) Co. Limited (典晶生物醫藥科技(上海)有限公司), Eluminex Biosciences Technology (Suzhou) Co. Limited (典晶生物醫藥科技(蘇州)有限公司), Acerand Therapeutics Limited, Youling Medical Technology (Shanghai) Co. Limited (優領醫藥科技(上海)有限公司) and Jiangxi Caishi Medical Technology Co. Limited (江西彩石醫藥科技有限公司). Mr. Lin received a bachelor's degree in chemical and pharmaceutical technology in July 1996 and a master's degree in medicinal chemistry in June 1999 from China Pharmaceutical University (中國藥科大學). Mr. Lin obtained his master's degree in business administration from China Europe International Business School in March 2009.

Zhi XIAO (肖治) *(resigned)*, aged 45, was appointed as a non-executive Director in 2019 and resigned from the position in February 2024. Mr. Xiao has been the managing director of SDIC Fund Management Co., Ltd. (國投創新投資管理有限公司) since 2016. Mr. Xiao has been serving as a director of Zhejiang Novus Pharmaceuticals Co., Ltd. (浙江創新生物有限公司), a director of Beijing Surgerii Robotics Co., Ltd (北京術銳機器人股份有限公司), a director of Tinavi Medical Technologies Co., Ltd. (北京天智航醫療科技股份有限公司) (a company listed on the STAR Market of Shanghai Stock Exchange, stock code: 688277) and a director of Tofflon Science And Technology Group Co., Ltd. (東富龍科技集團股份有限公司) (a company listed on the ChiNext Market of Shenzhen Stock Exchange, stock code: 300171). Mr. Xiao served as an independent non-executive director of Guangdong Great River Smarter Logistics Co., Ltd. (廣東宏川智慧物流股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002930) from 2016 to 2021. Mr. Xiao received his bachelor's degree in veterinary medicine from China Agricultural University, received his master of business administration degree from Tsinghua University and master degree from Tsinghua University School of Medicine.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Shuifa GUI (桂水發), aged 59, was appointed as an independent non-executive Director in 2019. Mr. Gui is also currently the chairman of Remuneration and Assessment Committee, a member of Audit Committee and a member of Nomination Committee. Mr. Gui is primarily responsible for supervising and providing independent judgement to the Board. Mr. Gui has been serving as director and chief financial officer at Ucloud Technology Co., Ltd. (優刻得科技股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 688158) since 2018, and as secretary of the board at Ucloud Technology Co., Ltd. from 2018 to 2023. Mr. Gui has been director of several companies, including executive director of Shanghai Shiniu Asset Management Co., Ltd. (上海師牛資產管理有限公司) since 2013, director of Shanghai Tunnel Engineering Co., Ltd. (上海隧道工程股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600820) since 2018, independent non-executive director of Shanghai Mechanical & Electrical Industry Co., Ltd. (上海機電股份有限公司) (a company listed on the Shanghai Stock exchange, stock code: 600835) since 2018, and independent non-executive director of Linkage Software Co., Ltd. (蘇州工業園區凌志軟件股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 688588) since 2019. Mr. Gui worked at Shanghai University of Finance and Economics (上海財經大學) and served as a teaching associate from 1989 to 1993. He served as business manager of Listing Department at Shanghai Stock Exchange from 1994 to 1997 and served as deputy director and director of Marketing Development Department from 1998 to 2001. From 2001 to 2011, he served as deputy general manager, chief financial officer and secretary of the board at Orient Securities Co., Ltd. (東方證券股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 03958 and Shanghai Stock Exchange, stock code: 600958). He served as chairman of the board at China Universal Asset Management Co., Ltd. (匯添富基金管理有限公司) from 2004 to 2012. From 2012 to 2017, he served as president at Landgent Group Co., Ltd. (樂成集團有限公司). From 2017 to 2018, he served as deputy general manager at E-Capital Transfer Co., Ltd. (證通股份有限公司). Mr. Gui obtained his bachelor's degree in accounting from Shanghai University of Finance and Economics in June 1989. He received his master's degree in business management from the University of Hong Kong in September 2004. He has been a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since April 1998.

Jianzhong LIU (劉建忠), aged 60, was appointed as an independent non-executive Director in 2019. Mr. Liu is also currently the chairman of Nomination Committee and a member of Audit Committee. Mr. Liu is primarily responsible for supervising and providing independent judgement to the Board. Mr. Liu has been serving as vice president at Yingu Holdings Group Co., Ltd. (銀谷控股集團有限公司) since 2012, as dean of Zhongyi (Beijing) Vaccine and Health Institute (中義(北京)健康研究院) since 2016, as general manager and executive director at Mianzhu Yingu Rose Trading Co., Ltd. (綿竹銀谷玫瑰商貿有限公司) since 2015. Mr. Liu served as chief of Disease Control Division of the General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) from 1989 to 2003. From 2003 to 2011, he served as director of Scientific Affairs Department at Sanofi Pasteur, the vaccines division of the pharmaceutical company Sanofi S.A. Mr. Liu obtained his bachelor's degree in medicine from Peking University Health Science Center (北京大學醫學部) in June 1989. He received his master's degree in health sciences from Curtin University in Australia in March 1998.

Yiu Leung Andy CHEUNG (張耀樑), aged 64, was appointed as an independent non-executive Director in February 2024. He is also currently the chairman of Audit Committee, a member of Remuneration and Assessment Committee and a member of Nomination Committee. Mr. Cheung is primarily responsible for supervising and providing independent judgement to the Board. Mr. Cheung has over 30 years of professional accounting and auditing experience. He has been serving as an independent non-executive director and chairman of the audit committee of Hua Medicine (華領醫藥) (a company listed on the Hong Kong Stock Exchange, stock code: 2552), and an independent non-executive director and chairman of the audit committee of JW (Cayman) Therapeutics Co. Ltd (藥明巨諾(開曼)有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 2126). He has also been serving as an independent director and the chairman of audit committee of Adagene Inc. (天演藥業) (a company listed on the Nasdaq Stock Market, ticker symbol: ADAG).

From 2018 to 2020, Mr. Cheung was the deputy area managing partner of Ernst & Young ("EY") in Asia Pacific, overseeing its business operations, finance, information technology and risk management functions. He was a member of EY Asia Pacific's Area Operating Committee, EY's Global Accounts Committee and EY's Global Markets and Investment Committee during that period. From 2013 to 2018, Mr. Cheung was EY's assurance leader in Greater China, managing its audit, financial accounting advisory, forensic and climate changes and sustainability services in Greater China. He was a member of EY Greater China's Leadership Team during that period. Mr. Cheung's other prior responsibilities with EY include the chief operating officer of EY Hua Ming LLP, an assurance partner of EY China and EY's area chief financial officer in Asia. Prior to joining EY in 2006, Mr. Cheung was an assurance partner in PricewaterhouseCoopers China and Arthur Andersen in China and Hong Kong successively.

Mr. Cheung received his bachelor's degree in accounting and finance from the University of Lancaster in the United Kingdom and obtained a master's degree in accounting and finance from London School of Economics in the United Kingdom. Mr. Cheung has been a member of Hong Kong Institute of Certified Public Accountants since October 1986 and served as a member of its disciplinary panel from January 2015 to December 2020.

Shiu Kwan Danny WAI (韋少琨) *(retired)*, aged 60, was appointed as an independent non-executive Director in June 2018 and retired from the Board of Directors in February 2024. Mr. Wai was primarily responsible for supervising and providing independent judgement to the Board. Mr. Wai served as analyst at The MAC Group, Inc. (Hong Kong) (currently part of the Capgemini Group) from 1987 to 1990 and financial analyst at Postal Buddy Corporation in the U.S. from 1992 to 1994. He was assistant manager, manager, assistant director and director of the Corporate Finance Department at Jardine Fleming Holdings Limited (Hong Kong) (currently part of JPMorgan Chase & Co.) and vice president in the Mergers & Acquisitions Department at JPMorgan Securities (Asia Pacific) Limited from 1994 to 2002. He served as executive director, managing director and head of Asia in the Global Healthcare Group at the Investment Banking Department of UBS AG (Hong Kong) from 2004 to 2015. He served as adviser at UBS AG Hong Kong Branch from February 2018 to January 2020 and was an independent non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600196, and the Hong Kong Stock Exchange, stock code: 2196), from 2016 to 2019. Mr. Wai received his bachelor's degree in social sciences in November 1987 from the University of Hong Kong and a master's degree in business administration in June 1992 from the John E. Anderson Graduate School of Management at the University of California, Los Angeles.

Zhu XIN (辛珠) *(retired)*, aged 55, was appointed as an independent non-executive Director in June 2018 and retired from the Board of Directors in February 2024. Ms. Xin was primarily responsible for supervising and providing independent judgement to the Board. From 2006 to 2014, Ms. Xin held senior management positions at several companies, including vice-president at Hopson Development Holdings Limited (合生創展集團有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 754), executive director and executive vice president of China Aoyuan Property Group Limited (中國奧園地產集團) (a company listed on the Hong Kong Stock Exchange, stock code: 3883), where she was primarily responsible for financing, accounting and auditing, and chief financial officer at Logan Property Holdings Company Limited (龍光地產控股有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 3380). From 2015 to 2017, she served as the executive vice president of YIHE Real Estate Holdings Limited (頤和地產集團). Ms. Xin has been an independent non-executive director of Central China New Life Limited (a company listed on the Hong Kong Stock Exchange, stock code 9983) and Datang Group Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2117) since 2020, respectively. Ms. Xin has been appointed as an independent non-executive director of Suxin Joyful Life Services Co., Ltd. (蘇新美好生活服務股份有限公司) (a company listed on the Hong Kong Stock Exchange, stoke code: 2152) since 2021. Ms. Xin has abundant experience in accounting, auditing and corporate finance management. She has been a member of CPA Australia since October 2010. Ms. Xin received a bachelor's degree in accounting from Renmin University of China in July 1990 and a master's degree in business administration in international management from International College of Auckland Institute of Studies in December 1999.

SUPERVISORS

Zhi XIAO (肖治), aged 45, was appointed as a Supervisor and the chairman of the Board of Supervisors in February 2024. Mr. Xiao served as a non-executive Director from June 2019 to February 2024. Please refer to section entitled "Non-Executive Directors" in this section for biographical details of Mr. Xiao.

Zhongqi SHAO (邵忠琦), aged 61, served as a vice president of the Company since 2011 and was appointed as a Supervisor in 2021. Dr. Shao is primarily responsible for assisting the chief scientific offer in managing R&D of the Company. Dr. Shao served as a senior research scientist in IBEX Technologies Inc. (a company listed on the Toronto Stock Exchange Venture Exchange, ticker symbol: IBT) from 1995 to 2001 and from 2002 to 2007. From 2001 to 2002, he served as a senior research scientist in BioMarin Pharmaceutical Inc. From 2007 to 2011, he served as a senior research scientist in Sanofi Pasteur Limited. Dr. Shao obtained a Ph.D. in microbiology from Concordia University in August 1993.

Yuan ZHOU (周媛), aged 35, was appointed as an employee Supervisor in March 2023. She worked as a legal assistant in Grandall Law Firm (Tianjin) (國浩律師(天津)事務所) from 2012 to 2016. From 2016 to 2019, she worked as a legal manager in Herong Futures Co., Ltd. (和融期貨有限責任公司). Since May 2019, she has served successively as legal manager, senior legal manager, deputy legal director of the legal department, and senior director of the legal and compliance department and internal audit department of the Company. Ms. Zhou is currently serving as a supervisor in certain subsidiaries of the Company, namely CanSino Biology (Shanghai) Co., Ltd., CanSino (Shanghai) Biotechnology Co., Ltd., CanSino (Shanghai) Biological Research and Development Co., Ltd., Kangbo (Tianjin) Pharmaceutical Technology Co., Ltd. and Bomai (Tianjin) Venture Capital Management Co., Ltd. Ms. Zhou holds certificate as a legal professional and has a master's degree in law.

Jiangfeng LI (李江峰) *(retired)*, aged 47, was appointed as a Supervisor and the chairwoman of the Board of Supervisors in November 2019 and retired from the Board of Supervisors in February 2024. Ms. Li has been serving as managing director of medical health investment department at Fortune Venture Capital Co., Ltd. (深圳市達晨財智創業投資管理有限公司) since 2011. She has been supervisor of Shanghai OPM Biosciences Co., Ltd. (上海奧浦邁生物科技股份有限公司) (a company listed on the STAR Market of Shanghai Stock Exchange, stock code: 688293) since 2020. Ms. Li served as investment manager at Guangzhou Technology Venture Capital Co., Ltd. (廣州科技創業投資有限公司) from 2004 to 2007. She served as investment director at Guangzhou Hiway Capital Co., Ltd. (廣州海匯投資管理有限公司) from 2007 to 2011. Ms. Li obtained her bachelor's degree in biochemistry and molecular biology from Nankai University (南開大學) in July 1999. She received her master's degree in biochemistry and molecular biology from Nankai University in July 2002.

Zhengfang LIAO (廖正芳) *(resigned)*, aged 39, was appointed as an employee Supervisor in December 2016 and resigned from the position in March 2023. She joined our Company in 2010 as an administrative assistant and was appointed as a project manager in 2013 and the manager of project department in 2014. Ms. Liao was appointed as senior manager of executive office in 2018. Prior to joining our Company, Ms. Liao served as a project executive at China Foundation for Poverty Alleviation (中國扶貧基金會) from 2008 to 2010. Ms. Liao graduated from Minzu University of China (中央民族大學) with a bachelor's degree in biotechnology in July 2008.

SENIOR MANAGEMENT (OTHER THAN DIRECTORS)

Tao ZHU (朱濤), aged 51, is a co-founder of our Company. Dr. Zhu was appointed as an executive Director in January 2009 and retired from the position in February 2024. Dr. Zhu has served as the chief scientific officer since January 2009. Please refer to section entitled "Executive Directors" in this section for biographical details of Dr. Zhu.

Dongxu QIU, aged 64, is a co-founder of our Company. He was appointed as an executive Director in January 2009 and retired from the position in February 2024. Dr. Qiu served as senior vice president since January 2009. He has been the executive vice president of the Company since January 2021. Please refer to section entitled "Executive Directors" in this section for biographical details of Dr. Qiu.

Jin CUI (崔進), aged 37, was appointed as the secretary of the Board in September 2021. Mr. Cui has been serving as the head of securities affairs department of the Company since 2018 and the joint company secretary of the Company since 2019. He joined the Company in 2016 as the executive manager of corporate strategy department, primarily responsible for strategic research, business development and financial management. He was the assistant to the chief executive officer of the Company and was responsible for assisting the chief executive officer of the Company in the daily operation of business strategy from 2017 to 2018. Mr. Cui served as representative on securities matters from 2018 to 2021, where he was responsible for capital operations, information disclosure and assisting the secretary of the Board in investor relations. Mr. Cui served as an executive director of investment banking at Tianjin Branch of Huayuan Securities CO., LTD. (華源證券股份有限公司), formerly known as JZ Securities CO., LTD. (九州證券股份有限公司), from 2015 to 2016. From 2012 to 2015, Mr. Cui worked at Tianjin Equity Exchange (天津股權交易所), where he was responsible for trading management and project management. Mr. Cui graduated from Tianjin University of Finance and Economics (天津財經大學) with a bachelor's degree in actuarial and risk management in June 2009. He obtained his master's degree in international financial analysis from University of Glasgow in December 2011.

Xi LUO (羅樨) *(resigned)*, aged 46, was appointed as chief financial officer of the Group in September 2021 and resigned from the position in November 2023. Ms. Luo, Ph. D. of Micrological and Biochemical Pharmacology, graduated from China Union Medical College (中國協和醫科大學) (now known as Chinese Academy of Medical Sciences (中國醫學科學院)) in 2007. From 2012 to 2015, Ms. Luo worked as an analyst of medical health industry in Zhong De Securities Company Limited (中德證券有限責任公司). From 2015 to 2021, Ms. Luo worked as an executive director and deputy head of healthcare group of global investment banking committee in CITIC Securities Co., Ltd. (中信証券股份有限公司). During her tenure of office in CITIC Securities Co., Ltd., Ms. Luo participated in the Company's initial public offering on the Sci-tech Innovation Board of the Shanghai Stock Exchange in August 2020, making the Company the first "A+H" dual listing vaccine company. Ms. Luo has nearly 15 years of experience in brokerage research and investment banking, and projects she participated in involved IPO on Small and Medium-sized Board, IPO on the Sci-tech Innovation Board, IPO on GEM, refinancing of companies listed on Sci-tech Innovation Board, merger and acquisition, and corporate control transfer involving listed companies. Ms. Luo led and participated IPO, refinancing or merger and capital operation projects of Double Medical Technology Inc. (大博醫療科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002901), Sinocelltech Group Limited (北京神州細胞生物技術集團股份公司) (a company listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange, stock code: 688520), Sino Biological, Inc. (北京義翹神州科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 301047), Joinn Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603127 and the Hong Kong Stock Exchange, stock code: 006127), Novogene Co., Ltd. (北京諾禾致源科技股份有限公司) (a company listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange, stock code: 688315), Changchun BCHT Biotechnology Co. (長春百克生物科技股份公司) (a company listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange, stock code: 688276), and Sansure Biotech Inc. (聖湘生物科技股份有限公司) (a company listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange, stock code: 688289), etc., with extensive experience in capital operations.

JOINT COMPANY SECRETARIES

Jin CUI (崔進), aged 37, was appointed as the joint company secretary of the Company in March 2019. Please refer to section entitled "Senior Management (Other Than Directors)" in this section for biographical details of Mr. Cui.

Ming King CHIU (趙明璟), aged 47, was appointed as the joint company secretary of the Company in March 2019. Mr. Chiu currently serves as managing director of corporate services of Vistra Corporate Services (HK) Limited. He has over 10 years of experience in the company secretarial field. Mr. Chiu has been an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) ("**HKCGI**") since 2003 and became a fellow member of the HKCGI since September 2015. He is also a holder of the Practitioner's Endorsement Certificate issued by HKCGI. He has been a vice chairman of the Membership Committee, a chairman of the Professional Services Panel and a council member of HKCGI. Mr. Chiu obtained a bachelor of arts degree from University of Toronto in Canada in June 1999 and received a master of arts degree in professional accounting and information systems from City University of Hong Kong in November 2003.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and enhance its corporate value. The Company has adopted with all the applicable provisions of the CG Code as set out in Appendix C1 to the Hong Kong Listing Rules.

The Board is of the view that throughout the Reporting Period and up to the date of this report, the Company has complied with all the applicable principles and code provisions as set out in the CG Code, except for code provision C.2.1 in part 1 of the CG code which provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual, details of which are set out in the section headed "Chairman and Chief Executive" on page 33 under "Corporate Governance Report" of this report. The Company will further illustrate the compliance with the CG Code in Corporate Governance Report for Shareholders' evaluation.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Hong Kong Listing Rules. The Company has confirmed that, having made specific enquiry of all the Directors and Supervisors, all Directors and Supervisors have complied with the Model Code during the Reporting Period.

The Company has also established written guidelines (the "**Employees Written Guidelines**") on terms no less stringent than the Model Code for securities transactions by relevant employees who are likely to possess inside information of the Company in respect of their dealings in the Company's securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the Reporting Period.

BOARD OF DIRECTORS

Board Composition

As at the date of this report, the Board comprises three executive Directors, one non-executive Directors and three independent non-executive Directors, namely:

Executive Directors

Dr. Xuefeng YU *(Chairman, chief executive officer and general manager)*
Dr. Shou Bai CHAO *(Chief operating officer and deputy general manager)*
Dr. Tao ZHU *(Chief scientific officer and deputy general manager)* (retired from February 21, 2024)
Dr. Dongxu QIU *(Executive vice president and deputy general manager)* (retired from February 21, 2024)
Ms. Jing WANG *(Chief commercial officer and deputy general manager)*

Non-executive Directors

Mr. Liang LIN (retired from February 21, 2024)
Ms. Nisa Bernice Wing-Yu LEUNG
Mr. Zhi XIAO (resigned from February 21, 2024)

Independent non-executive Directors

Mr. Shiu Kwan Danny WAI (retired from February 21, 2024)
Ms. Zhu XIN (retired from February 21, 2024)
Mr. Shuifa GUI
Mr. Jianzhong LIU
Mr. Yiu Leung Andy CHEUNG (effective from February 21, 2024)

As of the date of this annual report, there was no any relationship (including financial, business, family or other material/relevant relationship(s)) among the Board members.

The biographical information of the Directors are disclosed under the section headed "Directors, Supervisors and Senior Management" on pages 23 to 27 of this report.

On February 21, 2024, the following members of third session of the Board of Directors were elected and approved by the Shareholders at the extraordinary general meeting held on the same day. For details, please refer to the Company's circular dated January 30, 2024 and poll results announcement dated February 21, 2024, respectively.

Executive Directors	Dr. Xuefeng YU, Dr. Shou Bai CHAO, Ms. Jing WANG (王靖)
Non-Executive Director	Ms. Nisa Bernice Wing-Yu LEUNG (梁頴宇)
Independent Non-executive Directors	Mr. Shuifa GUI (桂水發), Mr. Jianzhong LIU (劉建忠), Mr. Yiu Leung Andy CHEUNG (張耀樑)

On February 21, 2024, upon the election of the third session of the Board of Directors, Dr. Tao ZHU, Dr. Dongxu QIU, Mr. Liang LIN, Mr. Shiu Kwan Danny WAI and Ms. Zhu XIN, being members of the second session of the Board of Directors, retired as Directors with effect from February 21, 2024. Mr. Zhi XIAO resigned as a Director due to his personal work arrangement with effect from February 21, 2024. For details, please refer to the Company's poll results announcement dated February 21, 2024.

On February 21, 2024, following the above-mentioned retirement and resignation, (i) Mr. Liang LIN ceased to be a member of the Remuneration and Assessment Committee; (ii) Mr. Shiu Kwan Danny WAI ceased to be a member of the Audit Committee and a member of the Nomination Committee; and (iii) Ms. Zhu XIN ceased to be the chairwoman of the Audit Committee and a member of the Remuneration and Assessment Committee.

In light of the above, the Company was temporarily unable to meet the composition requirements of the Audit Committee, the Remuneration and Assessment Committee, and the Nomination Committee as set out in Rules 3.21, 3.25 and 3.27A of the Hong Kong Listing Rules, respectively. On February 23, 2024, the Board of Directors has resolved and approved the elections of the various members to the three Board committees of the third session of the Board of Directors at its first meeting of the third session of the Board of Directors, therefore, the Company has met the composition requirements of the Audit Committee, the Remuneration and Assessment Committee, and the Nomination Committee as set out in Rules 3.21, 3.25 and 3.27A of the Hong Kong Listing Rules, respectively. During the Reporting Period and up to the date of this report, except for the above-mentioned period, the Company met the requirements of Rules 3.21, 3.25 and 3.27A of the Hong Kong Listing Rules in relation to the composition of Board committees.

Chairman and Chief Executive

Under code provision C.2.1 in part 1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Yu acts as the chairman of the Board and continues to act as the chief executive officer and general manager of the Company since the Listing of H Shares on the Hong Kong Stock Exchange. As Dr. Yu has assumed the role of chief executive officer and general manager of the Company since our commencement of business, the Board considers it beneficial to the business prospect and operational efficiency of the Company.

The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors; (ii) Dr. Yu and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels.

The Board will continue to review the effectiveness of the corporate governance structure of the Company in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

Therefore, the Board considers that the deviation from code provision C.2.1 in part 1 of the CG Code is appropriate in such circumstances and the existing arrangements are beneficial and in the interests of the Company and its Shareholders as a whole.

Independent Non-executive Directors

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

The Company is of the view that all independent non-executive Directors were independent during the Reporting Period and up to the date of this annual report.

Appointment, Re-election and Removal of Directors

Each of the executive Directors, non-executive Director and independent non-executive Directors of the Company has entered into a service contract with the Company for a specific term. The non-executive Director and independent non-executive Directors have been appointed till the expiration of the term of the current Board (3 years) and unless it is terminated by either the Company or such Director. The term of appointment of each Director is subject to retirement by rotation and re-election at general meeting in accordance with the Articles of Association and the Hong Kong Listing Rules.

The Company may, in accordance with the Articles of Association, by ordinary resolution remove any Director before the expiration of his/her term of office notwithstanding anything to the contrary in the Articles of Association or in any agreement between the Company and such Director.

Where vacancies on the Board exist, the Nomination Committee evaluates skills, knowledge and experience required by the Board, and identifies if there are any special requirements for the vacancy. The Nomination Committee identifies appropriate candidates and convenes Nomination Committee meeting to discuss and vote in respect of the nominated Directors and recommends candidates for Directors to the Board.

The Nomination Committee considers candidates with individual skills, experience and professional knowledge that can best assist and facilitate the effectiveness of the Board.

The Nomination Committee takes the policy on Board diversity of the Company into consideration when it considers the balance of composition of the Board as a whole.

The Company has a director nomination policy. As evaluating and determining the candidates of Directors, the Nomination Committee and the Board of Directors shall consider the following factors: personal characters and integrity; professional qualifications, skills, knowledge, and experience related to the Group's business and strategy; willingness and ability to devote sufficient time to fulfill the duties of the Directors and members of the special committees of the Board of Directors; whether their appointment is in compliance with the requirements of the Hong Kong Listing Rules (including the independence requirements of independent non-executive Directors); whether their appointment is in compliance with the Company's Board diversity policy and any measurable targets adopted by the Nomination Committee to diversify the members of the Board.

Responsibilities of the Directors

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

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

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

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

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

Directors' and Senior Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and senior officers' liabilities in respect of legal actions against Directors and senior officers of the Company arising out of corporate activities.

Continuous Professional Development of Directors

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

Every newly appointed Director should receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Hong Kong Listing Rules and relevant statutory requirements.

During the Reporting Period, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

As at the date of this report, all Directors of the second session of the Board of Directors, namely Dr. Xuefeng YU, Dr. Shou Bai CHAO, Dr. Tao ZHU, Dr. Dongxu QIU, Ms. Jing WANG, Mr. Liang LIN, Ms. Nisa Bernice Wing-Yu LEUNG, Mr. Zhi XIAO, Mr. Shiu Kwan Danny WAI, Ms. Zhu XIN, Mr. Shuifa GUI and Mr. Jianzhong LIU, have attended the training course conducted by the legal adviser of the Company. The content of such training related to the duties of directors, on-going obligations of A+H dual listed companies as well as anti-corruption and fraud. Mr. Yiu Leung Andy CHEUNG obtained the legal advice referred to under Rule 3.09D of the Hong Kong Listing Rules on February 19, 2024 and other Directors of the third session of the Board of Directors obtained the legal advice referred to under Rule 3.09D of the Hong Kong Listing Rules on December 31, 2023. Each of the Directors of the third session of the Board of Directors understands his or her obligations as a director of a listed issuer under the Hong Kong Listing Rules.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration and Assessment Committee and the Nomination Committee. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authorities and duties. The terms of reference of the Board committees are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Hong Kong Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules.

The changes of the composition of the Audit Committee during the Reporting Period and up to the date of this report are set out below:

	Since January 1, 2023 and up to February 21, 2024	Since February 23, 2024 and up to the date of this report
Ms. Zhu XIN[(1)]	Chairwoman	–
Mr. Shiu Kwan Danny WAI[(1)]	Member	–
Mr. Shuifa GUI	Member	Member
Mr. Jianzhong LIU[(2)]	–	Member
Mr. Yiu Leung Andy CHEUNG[(2)]	–	Chairman

Notes:

(1) With effect from February 21, 2024, (i) Ms. Zhu XIN ceased to be the chairwoman of the Audit Committee upon her retirement as a Director; and (ii) Mr. Shiu Kwan Danny WAI ceased to be a member of the Audit Committee upon his retirement as a Director. Please refer to the Company's announcement dated February 21, 2024 for details.

(2) With effect from February 23, 2024, (i) Mr. Yiu Leung Andy CHEUNG has been appointed as the chairman of the Audit Committee; and (ii) Mr. Jianzhong LIU has been appointed as a member of the Audit Committee. Please refer to the Company's announcement dated February 23, 2024 for details.

During the Reporting Period and up to the date of this report, each of the chairman/chairwoman and members of the Audit Committee was our independent non-executive Director and at least one of them was equipped with the appropriate professional qualifications (being Ms. Zhu XIN during the Reporting Period and up to February 21, 2024 and Mr. Yiu Leung Andy CHEUNG since February 23, 2024 and up to the date of this report).

The primary duties of the Audit Committee are to review the Company's financial information and its disclosure, and supervise and evaluate internal and external auditing work and internal control system of the Company, oversee the audit procedure, and oversee the existing and potential risks of the Company and perform other duties and responsibilities as assigned by the Board. The Audit Committee has met all the applicable responsibilities and duties as described under the Hong Kong Listing Rules.

The Audit Committee held four meetings during the Reporting Period, the attendance record of the committee members is set out in the section entitled "Board Meetings and Directors' Attendance Records" in this chapter. The following is a summary of work performed by the Audit Committee during the Reporting Period:

- reviewed the quarterly, interim and annual results and/or report (if applicable), the Group's financial and accounting policies and practices and the scope of audit and appointment of auditors;
- reviewed the appointment of domestic and international auditors and internal control audit agency of the Company for the year of 2023;
- reviewed the financial control system and engagement of non-audit services;
- reviewed the risk management and internal control systems and the effectiveness of internal audit function and discussed with the management and internal audit on their findings;
- reviewed the connected transactions of the Company to ensure that such transactions are in compliance with relevant laws and regulations and disclosure requirements; and
- reviewed the Company's public available annual environmental, social and governance report to ensure that such reports meet relevant disclosure requirements and are all in compliance with the relevant listing rules and other applicable laws and regulations.

The Audit Committee also met twice with the external auditors of the Company during the Reporting Period.

Remuneration and Assessment Committee

The Company established the Remuneration and Assessment Committee with written terms of reference in compliance with Rule 3.25 of the Hong Kong Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules.

The changes of the composition of the Remuneration and Assessment Committee during the Reporting Period and up to the date of this report are set out below:

	Since January 1, 2023 and up to February 21, 2024	Since February 23, 2024 and up to the date of this report
Mr. Shuifa GUI	Chairman	Chairman
Ms. Zhu XIN(1)	Member	–
Mr. Jianzhong LIU(2)	Member	–
Dr. Shou Bai CHAO(2)	Member	–
Mr. Liang LIN(1)	Member	–
Dr. Xuefeng YU(2)	–	Member
Mr. Yiu Leung Andy CHEUNG(2)	–	Member

Notes:

(1) With effect from February 21, 2024, Ms. Zhu XIN and Mr. Liang LIN ceased to be members of the Remuneration and Assessment Committee upon their retirement as Directors. Please refer to the Company's announcement dated February 21, 2024 for details.

(2) With effect from February 23, 2024, (i) Mr. Jianzhong LIU and Dr. Shou Bai CHAO ceased to be a member of the Remuneration and Assessment Committee; and (ii) Dr. Xuefeng YU and Mr. Yiu Leung Andy CHEUNG have been appointed as members of the Remuneration and Assessment Committee. Please refer to the Company's announcement dated February 23, 2024 for details.

The primary duties of the Remuneration and Assessment Committee are to establish and review the evaluation criteria and the remuneration policy and scheme for the Directors and senior management, make recommendations on senior managements benefit arrangement and review and/or approve matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules. The Remuneration and Assessment Committee has met all the applicable responsibilities and duties as prescribed under the Hong Kong Listing Rules.

The Remuneration and Assessment Committee held one meeting during the Reporting Period, the attendance record of the committee members is set out in the section entitled "Board Meetings and Directors' Attendance Records" in this chapter. The following is a summary of work performed by the Remuneration and Assessment Committee during the Reporting Period:

- made recommendations to the Board on the remuneration package of the individual executive Directors and senior management;
- made recommendations to the Board on the terms of the service contracts of the executive Directors;
- reviewed and made recommendations to the Board on the remuneration of the non-executive Directors, independent non-executive Directors and Supervisors;
- reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management;
- reviewed the performance of duties of Directors and senior management of the Company and conduct annual performance appraisals on them; and
- reviewed the matters relating to the incentive schemes, such as the adjustment of grant price and cancellation of Restricted Shares that have been granted but not attributable to the participants under the incentive schemes.

Details of the Directors' remuneration are set out in Note 42 to the consolidated financial statements.

The remuneration of the senior management (other than Directors) of the Group by band for the year ended December 31, 2023 is set out below:

	Number of senior management
<HK$1,500,000	1
HK$1,500,001~HK$2,000,000	1
HK$2,000,001~HK$2,500,000	–
HK$2,500,001~HK$3,000,000	–
HK$3,000,001~HK$5,000,000	1
HK$5,000,001~HK$6,000,000	–

Directors' Remuneration Policy

The remuneration of Directors comprises an annual directors' fee and may also be entitled to options and/or awards under the rules of the share option scheme or share award scheme adopted by the Company from time to time. Such remuneration is determined and recommended by the Remuneration and Assessment Committee with reference to the respective Directors' qualifications, industry experience, position and performance, and the prevailing market conditions. The Company makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules.

The changes of the composition of the Nomination Committee during the Reporting Period and up to the date of this report are set out below:

	Since January 1, 2023 and up to February 21, 2024	Since February 23, 2024 and up to the date of this report
Mr. Jianzhong LIU	Chairman	Chairman
Dr. Xuefeng YU	Member	Member
Mr. Shiu Kwan Danny WAI(1)	Member	–
Mr. Shuifa GUI	Member	Member
Ms. Nisa Bernice Wing-Yu LEUNG	Member	Member
Mr. Yiu Leung Andy CHEUNG(2)	–	Member

Notes:

(1) With effect from February 21, 2024, Mr. Shiu Kwan Danny WAI ceased to be a member of the Nomination Committee upon his retirement as a Director. Please refer to the Company's announcement dated February 21, 2024 for details.

(2) With effect from February 23, 2024, Mr. Yiu Leung Andy CHEUNG has been appointed as a member of the Nomination Committee. Please refer to the Company's announcement dated February 23, 2024 for details.

The primary duties of the Nomination Committee include, among others, reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board, and making recommendations to our Board on the appointment and removal of Directors and senior management of our Company. The Nomination Committee has met all the applicable responsibilities and duties as prescribed under the Hong Kong Listing Rules.

Note:

During the Reporting Period, no Nomination Committee meeting was held, while the Nomination Committee held discussions to fulfill its responsibilities and duties. The following is a summary of work performed by the Nomination Committee during the Reporting Period: (i) assessed the independence of the independent non-executive Directors; (ii) reviewed the structure, size and composition of the Board; (iii) reviewed the effectiveness of the Board diversity policy and the Directors' nomination policy; and (iv) provided expertise in the selection of candidates for the proposed independent non-executive Directors of the third session of the Board of Directors.

In February 2024, the Nomination Committee held one meeting, assisting the Board in the selection and nomination process for the proposed independent non-executive Directors of the third session of the Board of Directors and recommending to the Board on election of all proposed independent non-executive Directors of the third session of the Board of Directors after its assessment and evaluation.

Board Diversity Policy

In assessing the Board composition, the Company adopted the board diversity policy which sets out the approach achieving diversity, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience and other factors that the Nomination Committee may consider relevant from time to time towards achieving a diversified Board. The board diversity policy will be reviewed by the Nomination Committee on annual basis. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

As at the date of this report, the Board currently comprises of 7 directors, of which 3 are executive Directors, 1 is a non-executive Director and 3 are independent non-executive Directors. Among which, 2 Directors are female and 5 Directors are male and 1 in the age group of 40-50; 4 in the age group of 51-60 and 2 in the age group of over 61. The Board has an appropriate mix of skills, experience and diversity that are relevant to the Company's strategy, governance and business.

The Board targets to maintain at least the current level of female representation, with the ultimate goal of achieving gender parity.

Workforce Diversity

Among all the employees, (including senior management) of the Company, male employees accounts for 49.2% and female employees accounted for 50.8%. The Company believes that the gender ratio (male: female) in the workforce is within the reasonable range. The total gender diversity of the Group is balanced and the Group will continue to maintain the gender diversity in workforce.

For further details of gender ratio and initiatives taken to improve gender diversity together with the relevant data, please refer to the disclosure in the Environmental, Social and Governance & Corporate Social Responsibility Report to be published by the Company separately in accordance with the Hong Kong Listing Rules.

Board Independence

The Company recognizes that Board independence is important to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board to ensure independent views and input are available to the Board and such mechanisms will be reviewed by the Board as appropriate from time to time. The Board believes that the following mechanisms are feasible and effective:

- The composition of the Board exceeds the independence requirements under the Hong Kong Listing Rules: (i) 3 out of the 7 Directors are independent non-executive Directors; (ii) the members of the Audit Committee are all independent non-executive Directors; and (iii) the Nomination Committee, Remuneration and Assessment Committee and Audit Committee are all chaired by independent non-executive Directors.

- The independence of each independent non-executive Director is assessed upon his appointment and annually. All independent non-executive Directors are required to submit a written confirmation to the Company annually to confirm the independence of each of them and their immediate family members, and their compliance with the requirements as set out in the Rule 3.13 of the Hong Kong Listing Rules.

- The remuneration of independent non-executive Directors is subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload.

- Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

- The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances requires.

Anti-corruption Policy

The Company has been consistently improving documents on anti-corruption and anti-bribery systems, and has formulated rules and regulations such as the CanSinoBIO Compliance Handbook (《康希諾生物合規手冊》), Anticorruption and Anti-fraud Management System (《反腐敗反舞弊管理制度》), and Management Process of Gifts Received by Employees (《員工收受禮品管理流程》) to continuously improve its daily supervision capabilities.

The Company does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for them or on their behalf. The Company adopts the anti-corruption policy in assisting the employees in recognising circumstances which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance if necessary.

The anti-corruption policy will be reviewed on a regular basis, any convicted cases will be reported to the legal and compliance department of the Company.

Whistleblowing Policy

The Company has in place an open, transparent and smooth whistleblowing channel and encourages all stakeholders to report possible misconducts that they are aware of. The Company has established a whistleblower protection mechanism by undertaking to keep whistleblower and reported information strictly confidential to avoid any form of retaliation, deals with the reported matters in a timely manner in accordance with the Incentive Process for Compliance Whistleblowing《合規舉報獎勵流程》and Internal Investigation Procedures for Compliance Whistleblowing and Reporting《合規舉報、報告內部調查規程》, and holds violations accountable.

The whistleblowing policy will be reviewed on a regular basis, any suspected cases will be reported to the legal and compliance department of the Company.

Corporate Governance Function

The Board is responsible for performing the functions set out in the code provision A.2.1 of part 2 of the CG Code.

The Board had reviewed and determined the following issues during the Reporting Period:

- the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements;
- training and continuous professional development of Directors and senior management;
- code of conduct and compliance manual (if any) applicable to employees and Directors; and
- the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Board Meetings and Directors' Attendance Records

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

Apart from regular Board meetings, the Chairman also held meetings with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

During the Reporting Period, the Board held seven meetings and the attendance record of the Directors at the Board and Board Committee meetings and the general meetings of the Company held during the year ended December 31, 2023 is set out in the table below:

ATTENDANCE RECORDS OF MEETINGS

Name of Director	Number of Meetings Attended/Eligible to attend					
	Board	Audit Committee	Remuneration and Assessment Committee	Nomination Committee	Annual General Meeting	Other General Meeting
Dr. Xuefeng YU	7/7	N/A	N/A	N/A[3]	1/1	2/2
Dr. Shou Bai CHAO[1]	7/7	N/A	1/1	N/A	1/1	2/2
Dr. Tao ZHU[1]	7/7	N/A	N/A	N/A	1/1	2/2
Dr. Dongxu QIU[1]	7/7	N/A	N/A	N/A	1/1	2/2
Ms. Jing WANG	7/7	N/A	N/A	N/A	1/1	2/2
Mr. Liang LIN[1]	7/7	N/A	1/1	N/A	1/1	2/2
Ms. Nisa Bernice Wing-Yu LEUNG	7/7	N/A	N/A	N/A[3]	1/1	2/2
Mr. Zhi XIAO[2]	7/7	N/A	N/A	N/A	1/1	2/2
Mr. Shiu Kwan Danny WAI[1]	7/7	4/4	N/A	N/A[3]	1/1	2/2
Ms. Zhu XIN[1]	7/7	4/4	1/1	N/A	1/1	2/2
Mr. Shuifa GUI	7/7	4/4	1/1	N/A[3]	1/1	2/2
Mr. Jianzhong LIU	7/7	N/A	1/1	N/A[3]	1/1	2/2

Notes:

(1) Retired from the Board of Directors upon the election of the third session of the Board of Directors on February 21, 2024.

(2) Resigned as a Director with effect from February 21, 2024. For details, please refer to the Company's announcement dated January 19, 2024.

(3) No Nomination Committee meetings were held in 2023, while the Nomination Committee held discussions to fulfill its responsibilities and duties.

Apart from regular Board meetings, the chairman of the Board of Directors also held meeting(s) with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

COMPANY'S CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to developing a positive and progressive culture that is built on its vision, mission and values.

During the Reporting Period, the Company continued to strengthen its cultural framework by focusing on the following:

- Vision: Innovation for a safer world
- Mission: To provide high-quality, innovative and affordable vaccines
- Values: Respect, Agility, Innovation, Superior in quality and Engagement

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, the Company will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Board considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions. All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security.

The management, in coordination with department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period.

The Board, as supported by the Audit Committee as well as the management, annually reviewed the effectiveness of risk management and internal control systems, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences training programmes, budget of the accounting and relevant resources as well as those relating to the ESG performance and reporting of the Company.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2023.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 82 to 83 of this report.

AUDITOR'S REMUNERATION

During the Reporting Period, the remuneration paid or payable to the Company's auditors, in respect of their audit and non-audit services was as follows:

	RMB'000
Audit services and other assurance services	3,500
Non-audit services	1,240
Including: Compliance advisory services	–
Tax consulting services	–
Other services	1,240
Total	4,740

JOINT COMPANY SECRETARIES

The Company has appointed, externally, Mr. Ming King CHIU as the joint company secretary of the Company. Mr. Chiu's primary contact with the Company is Dr. Yu, the executive Director, chief executive officer and the chairman of the Board of Directors. Mr. Jin CUI, another joint company secretary of the Company, is also the board secretary of the Company.

During the year ended December 31, 2023, both Mr. Chiu and Mr. Cui undertook not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Hong Kong Listing Rules.

SHAREHOLDERS' RIGHTS

Rights to Convene Extraordinary General Meeting

As one of the measures to safeguard Shareholders' interests and rights, the Shareholders are encouraged to participate at the general meetings of the Company and to vote thereat. An annual general meeting of the Company shall be held each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The annual general meeting of the Company will provide a forum for the Board and the Shareholders to communicate. The Board will answer questions raised by Shareholders at the annual general meeting.

Pursuant to Article 46 of the Articles of Association, Shareholders who, individually or jointly, hold not less than 10% of the shares with voting rights of the Company shall have the right to request the Board to convene an extraordinary general meeting, and shall submit the request in writing to the Board. The Board shall provide a reply in writing within 10 days after receipt of the request to express consent or objection to the convening of an extraordinary general meeting in accordance with the requirements of the laws, administrative regulations and these Articles of Association.

If the Board consents to hold an extraordinary general meeting, it should issue a notice of general meeting within 5 days after the resolution is approved by the Board, and any change to the original request in the notice shall be subject to consent from the relevant shareholders.

If the Board disagrees to hold an extraordinary general meeting, or fails to give a reply within 10 days after receiving the request, shareholders who, individually or jointly, hold not less than 10% of the shares with voting rights of the Company shall have the right to propose to the Board of Supervisors to convene an extraordinary general meeting, and the request shall be submitted to the Board of Supervisors in writing.

If the Board of Supervisors consents to hold an extraordinary general meeting, it should issue a notice of general meeting within 5 days after receiving the request, and any change to the original request in the notice shall be subject to consent from the relevant shareholders.

If the Board of Supervisors fails to issue a notice of general meeting within the prescribed period, the Board of Supervisors is deemed to refuse to convene and preside over the general meeting, and shareholders who, individually or jointly, hold not less than 10% shares with voting rights of the Company for not less than 90 consecutive days may convene and preside over a general meeting.

Procedures for Putting Forward a Proposal at the General Meeting

Pursuant to Article 49 of the Articles of Association, when a general meeting is held by the Company, the Board, Board of Supervisors or shareholders who individually or together hold not less than 3% of the shares of the Company may propose resolutions to the Company.

Shareholders who individually or together hold not less than 3% of the shares of the Company may submit ad hoc proposals in writing to the convener of the general meeting 10 working days before the holding of the general meeting. The convener shall issue a supplementary notice of the general meeting within 2 days upon receipt of the proposals and announce the contents of the ad hoc proposals.

The contact information of the convener is set out in the section entitled "Right to Put Enquiries to the Board" in this chapter.

Right to Put Enquires to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company by mail to Headquarters: 401-420, 4th Floor, Biomedical Park, 185 South Avenue, TEDA West District, Tianjin, PRC, or; Hong Kong: Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong or by email to ir@cansinotech.com.

Communication with Shareholders

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

The Company adopted the shareholders communication policy, which sets out the framework the Company has put in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner. The shareholders communication policy will be reviewed on a regular basis by the Company.

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include (i) the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the Company's website and the Hong Kong Stock Exchange's website; (iv) the Company's website offering communication channel between the Company and its stakeholders; (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters; and (vi) convening investor meeting and/or analyst briefings with existing and potential investors.

The Company held annual general meeting on June 30, 2023 (the "**2023 AGM**"). All resolutions proposed at the 2023 AGM were passed. For details, please refer to poll results announcement of the Company dated July 2, 2023.

The Company also held its 2023 first and second extraordinary general meetings on April 20, 2023 and September 20, 2023 and 2024 first extraordinary general meeting on February 21, 2024 (the "**EGMs**"), respectively. All resolutions proposed at the EGMs were passed. For details, please refer to poll results announcements of the Company dated April 20, 2023, September 20, 2023 and February 21, 2024, respectively.

Having considered the multiple channels of communication and shareholders engagement in the general meeting held during the year, the Company is satisfied that the shareholders communication policy has been properly implemented during 2023 and is effective.

Change in Constitutional Documents

Save as disclosed in the section headed "Amendments to the Articles of Association" in the Directors' Report, there were no significant changes in the constitutional documents of the Company for the year ended December 31, 2023 and up to the date of this annual report.

Policies Relating to Shareholders

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

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of part 2 of the CG Code, such details are also set out in its Articles of Association and summarized as follows:

The Company may distribute dividends in one of the following forms (or in both forms):

(1) cash;

(2) shares;

(3) a combination of cash and shares;

(4) other forms as permitted by laws, administrative regulations, departmental rules and regulatory rules of the place of listing.

As for cash dividends and other payments to domestic shareholders, the Company shall pay in RMB, and such payments to holders of foreign shares will be denominated and declared in Renminbi and paid in foreign currency. Foreign currency required by the Company to pay cash dividends and other monies to holders of foreign shares shall be obtained in accordance with the relevant provisions on foreign exchange administration of the state.

Subject to the applicable law and the Articles of Association, any future determination to pay dividends will be based on a number of factors, including the Company's future operations, capital requirements, general financial condition and other factors that the Board may deem relevant.

The Shareholders have approved the "Shareholders' Dividend and Return Plan of the Company for the Next Three Years (2023-2025) (《未來三年(2023年-2025年)股東分紅回報規劃》)" (the "**Shareholders' dividend plan**") at the annual general meeting held on June 30, 2023. When formulating the Shareholders' dividend plan, the Company focused on its long-term and sustainable development, took into consideration a range of factors, including its actual operation, future profitability, business development plans, cash flow, shareholders' return, costs of social capital and external financing conditions, and made specific institutional arrangements for its profit distribution to achieve a balance between shareholders' reasonable investment returns and the Company's sustainable development to ensure the continuity and sustainability of the profit distribution policy and the lasting, sustainable, healthy business operational capabilities of the Company.

Details of the Shareholders' dividend plan is as follows:

(1) Provided that the conditions of profit distribution are satisfied, the Company may distribute dividends in cash, shares, a combination of both cash and shares or by other ways permitted under laws and regulations, and shall give priority to cash dividends over share dividends. The Company shall determine specific distribution proportions in accordance with the distributable profit and the amount of capital surplus that can be utilized under the Company's consolidated financial statements or the financial statements of the parent company, whichever is lower.

(2) The following conditions shall also be satisfied when the Company implements cash dividend:

    (i) The distributable profit (i.e. after-tax net profit after the Company has made up for losses and withdrawn from the statutory reserve fund) for the year is positive;

(ii) Cash dividend shall not exceed the accumulated distributable profit of the Company;

(iii) The audit institution has issued a standard audit report with unqualified opinion on the financial report for the financial year;

(iv) The Company has no such events as major investment plan or significant cash expenditure (excluding projects from raised proceeds);

Significant investment plan or significant cash expenditure refers to: the proposed external investment, acquisition of assets or purchase of equipment by the Company in the upcoming twelve months with accumulated expenses amounting to or exceeding 30% of the latest audited total assets of the Company, and exceeding RMB50 million.

(3) In the case that profits are distributed by way of shares, true and reasonable reasons such as the Company's growth, dilution of net asset value per share shall be taken into consideration. Share distribution may be implemented singly or in combination with cash dividend distribution.

The Board of Directors of the Company shall take into consideration various factors, including its industry features, development stages, its own business model and profitability as well as whether the Company has any substantial capital expenditure arrangement, and differentiate the following circumstances and propose differentiated cash dividend policies in accordance with the procedures under the Articles of Association:

(i) Where the Company is in a developed stage with no substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution when profits are distributed;

(ii) Where the Company is in a developed stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution when profits are distributed;

(iii) Where the Company is in a developing stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution when profits are distributed. Where the Company's stage of development is difficult to distinguish but there is substantial capital expenditure arrangement, the profit distribution may be dealt with pursuant to this rule.

The profit distribution proposal shall be proposed by the Board of Directors and implemented upon consideration and approval at the general meeting.

(4) Provided that the conditions of profit distribution are satisfied, the Company shall distribute cash dividends once a year in principle, and determine whether interim cash dividends shall be distributed after considering profits and capital requirements.

Electronic Dissemination of Corporate Communications

On January 11, 2024, the Company adopted electronic dissemination of corporate communications (the "**Corporate Communications**"), which mean any documents issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to (a) the directors' report, its annual accounts together with a copy of the auditors' report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular and (f) a proxy form. For details, please refer to the notification letters of the Company dated January 11, 2024.

Report of the Board of Directors

The Board is pleased to present this Report of the Board of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2023.

PRINCIPAL ACTIVITIES

The principal activities of the Company are to develop, manufacture and commercialize high quality, innovative and affordable vaccines. There were no significant changes in the nature of the Company's principal activities during the Reporting Period.

BUSINESS REVIEW AND RESULTS

A review of the business of the Group during the Reporting Period is provided in the section headed "Business Review" under "Management Discussion and Analysis" of this report. The results of the Group for the Reporting Period are set out in the consolidated financial statements on pages 84 to 169 of this report. An analysis of the Group's performance during the Reporting Period is provided in the section headed "Financial Review" on pages 14 to 22 under "Management Discussion and Analysis" of this report. Future business development of the Group is provided in the section headed "Future and Outlook" on page 14 under "Management Discussion and Analysis" of this report.

FINAL DIVIDENDS

The Directors do not recommend a final dividend for the Reporting Period (2022: nil).

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Election of Directors of Third Session of Board of Directors and Supervisors of Third Session of Board of Supervisors

On February 21, 2024, the following members of third session of the Board of Directors and the Board of Supervisors were elected and approved by the Shareholders at the EGM held on the same day. For details, please refer to the Company's circular dated January 30, 2024 and poll results announcement dated February 21, 2024, respectively.

Executive Directors	Dr. Xuefeng YU, Dr. Shou Bai CHAO, Ms. Jing WANG (王靖)
Non-Executive Director	Ms. Nisa Bernice Wing-Yu LEUNG (梁潁宇)
Independent Non-executive Directors	Mr. Shuifa GUI (桂水發), Mr. Jianzhong LIU (劉建忠), Mr. Yiu Leung Andy CHEUNG (張耀樑)
Non-employee representative Supervisors	Mr. Zhi XIAO (肖治), Dr. Zhongqi SHAO (邵忠琦)

On February 21, 2024, upon the election of the third session of the Board of Directors, Dr. Tao ZHU, Dr. Dongxu QIU, Mr. Liang LIN, Mr. Shiu Kwan Danny WAI and Ms. Zhu XIN, being members of the second session of the Board of Directors, retired as Directors with effect from February 21, 2024. Mr. Zhi XIAO resigned as a Director with effect from February 21, 2024. On February 21, 2024, upon the election of non-employee representative Supervisors of the third session of the Board of Supervisors, Ms. Jiangfeng LI, being a member of the second session of the Board of Supervisors, retired as a non-employee representative Supervisor with effect from February 21, 2024. For details, please refer to the Company's poll results announcement dated February 21, 2024.

On February 22, 2024, the Company has held an employee's representatives meeting to elect Ms. Yuan ZHOU as an employee representative Supervisor of the third session of the Board of Supervisors.

On February 23, 2024, at the first meeting of the third session of the Board of Directors, Dr. Xuefeng YU was elected as the chairman of the third session of the Board of Directors, and the Board of Directors has resolved and approved the elections of the various members to the three Board committees of the third session of the Board of Directors. For details, please refer to "Corporate Governance Report – Board Committees" in this report.

Involvement in a Lawsuit in Brazil

We received the notice of a lawsuit in March 2024 from the Brazilian Court filed by Belcher, claiming Brazilian Real 167 million (equivalent to approximately RMB241 million) in compensation for the related losses, fees, and spiritual damage from the Company following the termination of the authorization to it to negotiate with the Brazilian government about the registration and commercialization of our COVID-19 vaccines in Brazil in 2021.

For details, please refer to the Company's announcement dated March 14, 2024 in relation to our involvement in a lawsuit and the section headed "Contingent Liabilities" in this report.

Amendments to the Articles of Association

On April 28, 2023, the Board considered and approved the proposed amendment to the Articles of Association to reflect the changes in the PRC regulations and the Hong Kong Listing Rules. The proposed amendment was approved by the Shareholders by way of a special resolution at the 2023 second extraordinary general meeting on September 20, 2023 and the revised Articles of Association took effect on the same day.

In view of the fact that the China Securities Regulatory Commission and Shanghai Stock Exchange published relevant regulatory rules, and the Board of Directors adjusted the number of members of the Board of Directors for election at expiration of office terms, in order to continually comply with regulatory requirements and taking into account the Company's business development needs, the Company revised the Articles of Association, according to the Company Law of the PRC, the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange (Revised in August 2023), the Management Measures for Independent Directors of the Listed Company, the Guidelines for the Self-Regulation of Companies Listed on the Science and Technology Innovation Board of Shanghai Stock Exchange No. 1 – Standardized Operations (Revised in December 2023), the Supervisory Guideline for Listed Companies No. 3 – Cash Dividends for Listed Companies (Revised in 2023) and other relevant laws, administrative regulations and normative documents. For details, please refer to the Company's circular dated January 30, 2024 and poll results announcement dated February 21, 2024, respectively.

Deconsolidation of CanSino SPH

Starting from February 2, 2024, CanSino SPH will no longer be treated as a subsidiary of the Company and will be accounted for as an associate of the Company, due to the termination of a concert party agreement entered into by and between the Company and Industry Investment Fund. For details, please refer to the Company's announcement dated February 2, 2024.

Re-entry into the Concert Party Agreement

On March 27, 2024, Dr. Yu, Dr. Zhu, Dr. Qiu, Dr. Mao and SCHELD Holding Limited (a company controlled by Dr. Mao) re-entered into the Concert Party Agreement to further clarify their concert party arrangements at the Board meetings and Shareholders' meetings of the Company. The re-entry into the Concert Party Agreement does not change the total number of Shares held by the Controlling Shareholders and the composition of the group of Controlling Shareholders.

Save as disclosed above, there were no important events affecting the Company occurred since the end of Reporting Period and up to the date of this report.

R&D ACTIVITIES

A review of the R&D activities of the Company during the Reporting Period is provided in the section headed "Business Review" on pages 7 to 12 under "Management Discussion and Analysis" of this report.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The success of the Group relies on the support of important relations such as employees, suppliers and customers. The Company maintains a good relationship with its employees, customers and suppliers in order to ensure smooth business operation.

Our Company adopts the people-oriented development strategy and had strived to retain talents, protect the rights of our employees, and take care of the development and wellness of our employees. We believed that collaboration with the supplier would be critical to our business success. As such, when choosing suppliers for our business, apart from the quality of their products and services, we would also take into consideration factors such as social responsibility, human rights compliance, ethics and environmental awareness. By improving our supply management system on an ongoing basis, the sustainability of our supply chain could be ensured. For details of relationship with the employees, customers and suppliers, please refer to the subsection headed "Major Customers and Suppliers" and "Employees and Remuneration Policies" in this section.

The Environmental, Social and Governance & Corporate Social Responsibility Report also contains information in respect of relationship with the employees, customers and suppliers, which will be published by the Company separately in accordance with the Hong Kong Listing Rules.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The following are parts of the key risks and uncertainties identified by the Group:

Risks relating to our financial prospects:

- we have incurred significant losses since our inception and our financial performance has fluctuated significantly in the past few years;
- we may need to obtain substantial additional financing to continuously fund our operations, and a failure to obtain necessary capital when needed would force us to delay, limit, reduce or terminate our product development or commercialization efforts;
- our financial prospects depend on the successful development, approval and further commercialization of our vaccine portfolio;
- we may face substantial competition in the market for vaccines;
- we have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance; and
- we may face potential price control due to the impact of the centralized procurement organized by the governments in the biomedical industry.

Risks relating to development, clinical trials and regulatory approval of our vaccine candidates:

- we may be unable to obtain regulatory approval for our vaccine candidates, and we may not be able to identify, discover or in-license new and suitable vaccine candidates;
- if we encounter difficulties enrolling subjects in our clinical trials, clinical trials of our vaccine candidates could be delayed or otherwise adversely affected;
- vaccine development involves a lengthy and expensive process with uncertain outcomes, and results of earlier clinical trials may not be predictive of results of later-stage clinical trials; and
- we may not be able to comply with ongoing regulatory obligations and continued regulatory review even if we receive regulatory approval for our vaccine candidates.

Risks relating to commercialization of our vaccine and vaccine candidates:

- we may not be able to be successfully prequalified by local governments of our target provinces or secure subsequent product orders;
- our sales may be adversely affected by the recession or eradication of the infectious diseases that our vaccines target and the availability of alternative vaccines or treatment technologies may adversely affect our sales;
- we have limited experience in commercializing vaccine candidates in China, and any failure to perform proper quality control and quality assurance would have a material adverse effect on our business and financial results;
- the manufacture of vaccines is a highly exacting and complex process, and if we encounter problems in manufacturing our products, our business could suffer; and
- we may fail to obtain regulatory approval in any targeted jurisdictions outside of China and face variety of risks associated with international operations.

Risks relating to our operations:

- we have engaged in in-licensing and collaboration arrangements to develop and commercialize a number of vaccine candidates, and may continue to seek strategic partnerships and collaborations or enter into additional licensing arrangements in the future, which is subject to risks;
- our business depends on the use of raw materials, and a decrease in the supply, or an increase in the cost of these raw materials could materially and adversely affect our business, financial condition and results of operation;
- changes in government regulations or in practices relating to the vaccine industry and compliance with new regulations may result in additional costs;
- we could be unsuccessful in obtaining or maintaining adequate intellectual property protection for one or more of our vaccine candidates;
- we are at risk of governmental actions detrimental to our business, such as product seizure, resumed price controls and additional regulations;

- we benefit from certain preferential tax and financial incentives, the expiration of or changes to which could adversely affect our profitability;
- our reputation is important to our business success. Negative publicity may adversely affect our reputation and business prospect;
- we may be subject to risks of non-compliance with anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws or other import and export restrictions of the United States and other jurisdictions in the future, which could adversely affect our business, results of operations, financial condition and reputation;
- we may be subject to natural disasters, health epidemics, civil and social disruption and other outbreaks, which could significantly disrupt our operation; and
- any disruption to our continuous use of properties for our business and operations could adversely affect our business and 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period,

(i) the Group's largest supplier accounted for 10.6% (December 31, 2022: 6.5%) of its total purchases, and the five largest suppliers accounted for 33.4% of its total purchases (December 31, 2022: 20.9%); and

(ii) without considering sales returns recognized during the Reporting Period, the Group generated revenue of approximately RMB79.6 million from the sales of our vaccine products for the year ended December 31, 2023 from the five largest customers, representing 13.3% of the total sales excluded sales returns (total revenue from the sales of our vaccine products) during the Reporting Period. The Group's largest customer accounted for 6.3% (December 31, 2022: 17.0%) of its total sales excluded sales returns.

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

PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2023, details of our main constructions in progress are as follows:

Address and Postal Code	Stage of Completion	Expected Completion Date	Planned Use	Gross Floor Area	Interest Held by the Company
To the north of South Avenue TEDA West District, Tianjin (天津經濟技術開發區西區南大街以北), 300457	Approximately 25.5%	By the end of 2024	R&D, manufacture, supply of vaccine; office building for administration purpose	Approximately 147,750 square meters	100%
No.1377 Luodong Road, Baoshan District, Shanghai (上海市寶山區羅東路 1377 號), 200942	Approximately 93.1%	By the end of 2024	Vaccine construction base	Approximately 43,000 square meters	49%
No. 860 Xinyang Road, Lingang Area-Pilot Free Trade Zone, Shanghai (上海市自由貿易試驗區臨港新片區新楊公路 860 號), 201422	Approximately 74.5%	By the end of 2024	Vaccine construction base	Approximately 16,983 square meters	100%

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

SUBSIDIARIES

Details of the subsidiaries of the Company as of December 31, 2023 are set out in note 46 to the consolidated financial statements.

SHARE CAPITAL

Share capital of the Company as of December 31, 2023 was as follows:

	Number of Shares	Percentage of total issued share capital
A Shares	114,778,999	46.38%
H Shares	132,670,900	53.62%

Details of movements in the share capital of the Company during the Reporting Period are set out in note 27 to the consolidated financial statements.

DONATIONS

For the year ended December 31, 2023, the Company made donations of a total amount of RMB0.4 million (2022: approximately RMB1.3 million).

DISTRIBUTABLE RESERVES

As of December 31, 2023, the Company did not have any distributable reserves (December 31, 2022: approximately RMB580.5 million). Details of movements in the reserves of the Company during the Reporting Period are set out in the Consolidated Statement of Changes in Equity on page 86 of this report.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as of December 31, 2023 are set out in note 29 to the consolidated financial statements.

For the Reporting Period, the Group did not issue any convertible bonds.

SHARE INCENTIVES

2018 Employee Share Plan

On May 28, 2018, Shanghai Qianxirui and Shanghai Qianxizhi were incorporated in the PRC as vehicles to hold the ordinary shares for the Company's employees under the equity-settled share-based compensation plan of 2018 (the "**2018 Employee Share Plan**").

On May 28, 2018, the Company issued 3,299,475 and 1,207,150 shares of RMB1.00 each to Shanghai Qianxirui and Shanghai Qianxizhi, respectively, at a price of RMB3.88 per share under the 2018 Employee Share Plan. Under the 2018 Employee Share Plan, 42 eligible employees were granted 3,299,475 shares issued to Shanghai Qianxirui, of which 52,590 shares were granted to Dr. Zhu as the general partner and could be vested immediately and the rest 3,246,885 shares were granted to the other 41 eligible employees and could be vested when such eligible employees complete a five-year service period. 3 eligible employees were granted 1,207,150 shares issued to Shanghai Qianxizhi, of which 19 shares were granted to Dr. Zhu and could be vested immediately and the remaining 1,207,131 shares were granted to the rest 2 employees. 60% of these 1,207,131 shares could be vested when such eligible employees complete a three-year service period, and the remaining 40% could be vested when such eligible employees complete a five-year service period. Approximately RMB17,486,000 were paid by those employees to Shanghai Qianxirui and Shanghai Qianxizhi in total on the grant date. If an eligible employee ceases the employment by the Company within this period, the awarded shares will be forfeited. As of the date of this report, all the Shares issued by the Company under the 2018 Employee Share Plan have been fully granted and vested, and no additional new Shares may be issued pursuant to the 2018 Employee Share Plan.

The 2018 Employee Share Plan is administered by Shanghai Qianxirui and Shanghai Qianxizhi. The terms of the 2018 Employee Share Plan are not subject to the provisions of Chapter 17 of the Hong Kong Listing Rules.

Details of the movements of the outstanding unvested units granted under the 2018 Employee Share Plan are set out under note 28 to the consolidated financial statements in this report.

2021 Restricted Share Incentive Scheme

On September 10, 2021, the 2021 Restricted Share Incentive Scheme of the Company (the "**2021 Incentive Scheme**") was approved by the Shareholders at the 2021 second extraordinary general meeting and class meetings held on the same date. For details, please refer to the circular of the Company dated August 26, 2021 and the poll results announcement of the Company dated September 10, 2021.

Purpose

The purpose of the 2021 Incentive Scheme is to improve the Company's incentive mechanism, further enhance the enthusiasm, creativity, and cohesion of employees, promote the continuous growth of Company's business, and achieve development by enhancing the value of the Company and granting benefits to the employees. The 2021 Incentive Scheme was formulated in accordance with the relevant rules and regulations and the Articles of Association.

Validity Period

From the date of the First Grant of Restricted Shares to the date on which all Restricted Shares granted to the participants have attributed or lapsed. Such validity period shall not exceed 48 months. The 2021 Incentive Scheme has expired after 48 months since the date of the First Grant of Restricted Shares on September 10, 2021.

Participants

The participants under the First Grant amount to 391 persons, representing approximately 30.96% of the total number of employees of the Company as of July 31, 2021. The participants under the First Grant shall include persons as considered by the Board to be motivated as of the date on which the Board approved the 2021 Incentive Scheme. Participants under the Reserved Grant will be determined in 12 months after the approval at the extraordinary general meeting and the class meetings.

The participants exclude the independent Directors, supervisors of the Company, the Shareholders individually or in aggregate holding 5% or more of the Shares of the Company and the actual controllers of the Company and their respective spouses, parents or children.

Scheme Limit

The maximum number of Restricted Shares to be granted under the 2021 Incentive Scheme shall be 1,100,250 Restricted Shares, amounting to approximately 0.4446% of the total share capital of the Company as of the date of this report, among which 880,200 Restricted Shares representing approximately 0.3557% of the total share capital of the Company as of the date of this report will be granted under the First Grant, and 220,050 Restricted Shares representing approximately 0.0889% of the total share capital of the Company as of the date of this report will be reserved for the Reserved Grant.

The total number of Shares to be granted to any participant under all share incentive schemes of the Company which are within their validity period shall not exceed 1.00% of the total share capital of the Company as at the date on which the 2021 Incentive Scheme is submitted for approval at a general meeting.

Pursuant to the authorization granted by the Shareholders at the 2021 second extraordinary general meeting and class meetings of the Company, the Board has resolved at the meeting of the Board held on the September 10, 2021 to approve (a) the grant of an aggregate of 875,330 Restricted Shares to 388 participants at the grant price of RMB209.71 per A Share on the same date under the First Grant pursuant to the 2021 Incentive Scheme; and (b) the grant of 49,660 Restricted Shares to 7 participants at the same grant price on the same date under the Reserved Grant pursuant to the 2021 Incentive Scheme. For further details, please refer to the announcement of the Company in this regard dated September 10, 2021.

On September 10, 2021, a total of 395 participants have been granted 924,990 Restricted Shares under the 2021 Incentive Scheme. On March 25, 2022, the Board resolved to cancel 470,940 Restricted Shares which have been granted but not attributed under the 2021 Incentive Scheme, incorporating (i) 16,890 Restricted Shares for 10 participants under the First Grant who have resigned due to personal reasons and were no longer eligible employees under the 2021 Incentive Scheme; and (ii) 454,050 Restricted Shares for the Company, as the Company has not achieved its performance indicators at Company level under the 2021 Incentive Scheme and the attribution conditions of the First Grant have not been fully fulfilled. Therefore, the number of Restricted Shares granted under the 2021 Incentive Scheme but not attributed has been changed from 924,990 to 454,050, and the number of eligible employees has been changed to from 395 to 385 under the 2021 Incentive Scheme during the financial year of 2021. The cancellation of part of the Restricted Shares granted will not have any material impact on the financial positions or operating results of the Company, nor will it affect the stability of the Company's core management team, or the continuous implementation of the 2021 Incentive Scheme.

Attribution Period

For Restricted Shares under the First Grant and the Reserved Grant:

Attribution arrangement	Attribution period	Attribution percentage
First attribution tranche	From the first trading day after the expiry of 12 months following the grant date of the First Grant and/or Reserved Grant to the last trading day within the 24 months following the grant date of the First Grant and/or Reserved Grant	50%
Second attribution tranche	From the first trading day after the expiry of 24 months following the grant date of the First Grant and/or Reserved Grant to the last trading day within the 36 months following the grant date of the First Grant and/or Reserved Grant	50%

Grant Price

The grant price of Restricted Shares under the 2021 Incentive Scheme is RMB209.71 per A Share. The grant price was determined for the purpose of promoting the development of the Company and safeguarding interests of the Shareholders, and based on the Company's confidence in its development prospects and recognition of its intrinsic value, and was determined on the principle of equality of incentive and restraint.

During the Reporting Period, no Restricted Shares have been granted or attributed to any participants under the 2021 Incentive Scheme. There is no amount payable on application or acceptance of the Shares under the 2021 Incentive Scheme. None of the Directors, chief executive or substantial shareholders of the Company or their respective associates has been granted any Restricted Shares under the 2021 Incentive Scheme. There is no participant with Restricted Shares granted and to be granted under the 2021 Incentive Scheme in excess of the 1% of the total issued share capital of the Company as of the date of this report. All Restricted Shares granted to the participants have lapsed on March 27, 2023. Since the adoption of the 2021 Incentive Scheme on September 10, 2021, no Restricted Shares have been attributed to any participants under the 2021 Incentive Scheme.

The number of Shares available for grant under the 2021 Incentive Scheme at the beginning and the end of the financial year of 2023 was nil. During the Reporting Period, the Company has not granted, lapsed or cancelled any Shares to any participants under the 2021 Incentive Scheme.

Details of the movements of the Restricted Shares granted under the 2021 Incentive Scheme are set out under note 28 to the consolidated financial statements in this report.

2023 A Share Employee Stock Ownership Plan

On April 20, 2023, the 2023 A Share Employee Stock Ownership Plan of the Company (the "**2023 Stock Ownership Plan**") was approved by the Shareholders at the 2023 first extraordinary general meeting on the same date. For details, please refer to the circular of the Company dated March 28, 2023 and the poll results announcement of the Company dated April 20, 2023.

Purpose

The purpose of the 2023 Stock Ownership Plan is to enhance the cohesion of employees and the competitiveness of the Company, and mobilize the enthusiasm and creativity of employees by holding the Shares, establishing and improving the benefit sharing mechanism for employees and Shareholders, and improving corporate governance, and ultimately to promote the long-term, sustainable and healthy development of the Company. The 2023 Stock Ownership Plan is formulated in accordance with the relevant rules and regulations and the Articles of Association.

Duration

The term of the 2023 Stock Ownership Plan shall be 36 months commencing from the date on which the Company announces the transfer of the underlying Shares to the 2023 Stock Ownership Plan. If not extended, the 2023 Stock Ownership Plan will be terminated automatically upon the expiry of its term. The 2023 Stock Ownership Plan will remain effective until May 7, 2026, being 36 months after May 8, 2023, the date on which the Company announces the transfer of the underlying Shares to the 2023 Stock Ownership Plan.

Participants

The participants of the 2023 Stock Ownership Plan are the supervisor, senior management, core management and core business personnel of the Company. Each of the participants shall take a position in the Company (including its controlled subsidiaries) and enter into labor contracts with the Company or its controlled subsidiaries or shall be employed by the Company. The total participants in the 2023 Stock Ownership Plan shall not exceed 359 persons, including a supervisor and senior management (3 persons in total). The specific number of participants shall be determined based on the actual payment made by the employees.

Scheme Limit

The maximum total amount of funds under of the 2023 Stock Ownership Plan shall not exceed RMB34.41 million, and the total amount of funds payable by participating employees shall be the maximum number of Shares to be subscribed by employees of 562,460 Shares, representing approximately 0.2273% of the total share capital of the Company as of the date of this report, calculated at RMB61.17 per share. The specific number of Shares to be held by the eligible participants shall be determined by the actual payment of employees. The following table sets forth the initially proposed list of grantees and the corresponding A Shares to be subscribed by such grantees under the 2023 Stock Ownership Plan:

No	Name	Position	The maximum number of Shares to be held	The proportion in the 2023 Stock Ownership Plan	The proportion in the total share capital of the Company on the announcement date of the 2023 Stock Ownership Plan
1	Xi LUO	Chief financial officer	30,530	5.43%	0.0123%
2	Jin CUI	Board Secretary	8,340	1.48%	0.0034%
3	Yuan ZHOU	Employee representative supervisor	2,460	0.44%	0.0010%
Core management personnel and core business backbones (356 persons)			521,130	92.65%	0.2106%
Total (359 persons)			562,460	100%	0.2273%

Notes:

1. The actual participants and their respective Shares may be adjusted according to their subscription.

2. In case of abandonment of subscription by employees, the abandoned subscription portion may be subscribed by other eligible participants and the final subscribed Share shall be determined by the Board.

3. After the implementation of the 2023 Stock Ownership Plan, the total number of Shares held by all effective employee share ownership plans of the Company shall not exceed 10% of the total share capital of the Company, and the total number of underlying Shares corresponding to the interests in Shares acquired by an individual employee shall not exceed 1% of the total share capital of the Company.

4. Any difference between the total of the above figures and the arithmetic sum of the breakdowns is due to rounding.

Vesting Arrangement

The appraisal years for unlocking the underlying Shares shall be the two accounting years of 2023 and 2024, and the appraisal shall be conducted once each accounting year. The individual performance appraisal of the eligible employees shall be implemented according to the relevant internal performance appraisal system of the Company. The individual appraisal results of the eligible employees are divided into four levels, namely "A", "B", "C" and "D". The final number of eligible employees' underlying Shares that can be unlocked shall be determined on the basis of the individual appraisal results as follows:

Evaluation Criteria	A	B	C	D
Unlocking ratio	100%	95%	80%	0%

Note: Actual unlocking amount of an eligible employee for the year = Target unlocking amount × Unlocking ratio

If the number of underlying Shares of an eligible employee actually unlocked is less than the target number of unlocked Shares, the management committee of the 2023 Stock Ownership Plan shall recover the Shares that have not reached the unlocking conditions and have the right to decide whether to allocate such Shares to other employees, provided that such employees shall meet the criteria for participants of the 2023 Stock Ownership Plan. If the distribution of such Shares is not completed during the term of the 2023 Stock Ownership Plan, the Company shall dispose of the undistributed portion at an appropriate time within the duration after the unlocking date, and the lower of the original capital contribution of the corresponding portion and the gain on disposal shall be returned to the eligible employees, and the gains shall belong to the Company.

Purchase Price

The price at which the designated account for the 2023 Stock Ownership Plan receives the shares repurchased by the Company shall be 50% of the average trading price of the A Shares on the last trading day preceding the date of the Board meeting proposing the adoption of the 2023 Stock Ownership Plan, i.e. RMB61.17 per A Share. The price under the 2023 Stock Ownership Plan was determined by the Company with reference to relevant policies and cases of other listed companies, while taking into account factors such as the implementation effect of the Company's historical share incentive plans, the trend of the Company's secondary market share price in recent years, and the actual situation of the Company.

In April 2023, 277,650 shares were subscribed by eligible employees pursuant to the 2023 Stock Ownership Plan at a total consideration of RMB16,984,000 and per Share purchase price of RMB61.17. Following such subscription, on May 8, 2023, 277,650 Shares in the designated share repurchase account of the Company has been transferred to the Company's designated account for the 2023 Stock Ownership Plan. As of December 31, 2023, there were 284,810 Shares to be subscribed by eligible employees under the 2023 Stock Ownership Plan calculated at per Share purchase price of RMB61.17.

The following table sets for the movements of the Shares granted under the 2023 Stock Ownership Plan during the Reporting Period:

							Number of Shares				
Category of grantees	Date of Grant	Vesting Period	Purchase Price	Closing Price [1] (RMB/Share)	Fair Value [2] (RMB/Share)	Outstanding as at the adoption date (i.e. April 20, 2023)	Granted	Cancelled	Lapsed/ Forfeited	Vested	Outstanding as of December 31, 2023
							since adoption date and up to December 31, 2023				
219 employee participants	May 8, 2023	(Note 3)	61.17	95.00	95.57	–	277,650	19,390	3,020	–	255,240

Notes:

1. The closing price in this column refers to the closing price of the Shares on the Shanghai Stock Exchange on the last trading day immediately before the date of grant.

2. The fair value in this column refers to the fair value of the Shares at the date of grant. With respect to the accounting standard and policy adopted in determination of such fair value, please refer to Note 2.21 to the consolidated financial statements.

3. The Shares to be subscribed under the 2023 Stock Ownership Plan are subject to a vesting arrangement as set out in the section headed "2023 A Share Employee Stock Ownership Plan – Vesting Arrangement" above.

Saved as disclosed above, during the Reporting Period, (i) no Shares were granted, lapsed or were cancelled under the 2023 Stock Ownership Plan, and (ii) there was no amount payable on application or acceptance of the Shares under the 2023 Stock Ownership Plan. As the 2023 Stock Ownership Plan only involves existing Shares, no new Shares may be issued pursuant to the 2023 Stock Ownership Plan.

The number of Shares that may be issued under the 2023 Stock Ownership Plan and the 2021 Incentive Scheme during the financial year of 2023 divided by the weighted average number of Shares in issue for the financial year of 2023 is nil.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Reporting Period or subsisted at the end of the Reporting Period.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors who held office during the Reporting Period and up to the date of this report were as follows:

Executive Directors

Dr. Xuefeng YU *(Chairman)*
Dr. Shou Bai CHAO
Dr. Tao ZHU (retired from February 21, 2024)
Dr. Dongxu QIU (retired from February 21, 2024)
Ms. Jing WANG

Non-executive Directors

Mr. Liang LIN (retired from February 21, 2024)
Ms. Nisa Bernice Wing-Yu LEUNG
Mr. Zhi XIAO (resigned from February 21, 2024)

Independent Non-executive Directors

Mr. Shiu Kwan Danny WAI (retired from February 21, 2024)
Ms. Zhu XIN (retired from February 21, 2024)
Mr. Shuifa GUI
Mr. Jianzhong LIU
Mr. Yiu Leung Andy CHEUNG (effective from February 21, 2024)

Supervisors

Mr. Zhi XIAO (effective from February 21, 2024) *(Chairman)*
Ms. Jiangfeng LI (retired from February 21, 2024)
Dr. Zhongqi SHAO
Ms. Yuan ZHOU

DIRECTORS' AND SUPERVISORS' BIOGRAPHICAL DETAILS

Details of Directors and Supervisors are set out in "Directors, Supervisors and Senior Management" on pages 23 to 28 of this report. Save as disclosed in that section, up to the date of this report, there were no changes to the information which are required to be disclosed by Directors and Supervisors pursuant to Rules 13.51(2)(a) to 13.51(2)(e) and 13.51(2)(g) of the Hong Kong Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Details of Directors' and Supervisors' service contracts set out in the section headed "Appointment, Re-election and Removal of Directors" on page 34 under "Corporate Governance Report" in this report. The Company did not enter into any relevant unexpired service contracts with them which are not determinable by the Company within a year without payment of any compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors, Supervisors or any of their respective associates were granted by the Company or its subsidiaries any right to acquire shares in, or debentures of, the Company or its subsidiary, or had exercised any such right during the Reporting Period.

COMPETING INTEREST AND OTHER INTEREST

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

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

During the Reporting Period, the Group has not entered into any contract of significance with the Controlling Shareholders (other than the service contracts of Directors and senior management).

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MANAGEMENT CONTRACTS

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

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2023, the Group had 1,494 employees (December 31, 2022: 2,291), approximately 50.8% of which are female.

The Group has developed a remuneration and welfare management system that provides employees with competitive remuneration and five types of social insurances and housing provident funds for employees in strict compliance with the relevant laws and regulations, and provides additional comprehensive benefit insurance.

The number of employees employed by the Group varies from time to time. The remuneration package of our employees includes salary, bonus, and incentive shares (if any) under the Company's incentive schemes, which are generally determined by their qualifications, industry experience, position and performance. The Company makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The total employee benefit expenses incurred by the Group for the year ended December 31, 2023 was approximately RMB707.8 million (December 31, 2022: RMB667.4 million).

During the year ended December 31, 2023, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

The Remuneration and Assessment Committee was set up for reviewing the Company's emolument policy and any long-term incentive schemes, and structure for all remuneration of the Directors and senior management of the Company, having regard to the Company's operating results, individual performance of the Directors and senior management and comparable market practices.

PENSION SCHEME

The employees of the Group's subsidiaries in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Employee benefits to all eligible employees of the overseas subsidiaries are made in accordance with the rules set forth in the collective labor agreement, and recorded as an expense in the period they are due as a charge to the statement of profit or loss.

Details of the pension scheme of the Group are set out in note 8 to the consolidated financial statements. During the Reporting Period, there were no forfeited contribution under the Group's pension scheme, and no forfeited contribution (if allowed under applicable laws) were used by the Company to reduce the existing level of contribution.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 43 and 8 to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

CORPORATE GOVERNANCE

Please refer to the "Corporate Governance Report" set out on pages 31 to 49 of this report for discussion of the corporate governance of the Company during the Reporting Period.

The Company is committed to achieving improvement in environmental performance and complying with the relevant environmental protection regulations and rules. For details, please refer to the Environmental, Social and Governance & Corporate Social Responsibility Report to be published by the Company separately in accordance with the Hong Kong Listing Rules, which was prepared in accordance with Appendix C2 to the Hong Kong Listing Rules and relevant applicable laws and regulations.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors and Supervisors.

Having made specific enquiry of all Directors and Supervisors, all of them have confirmed that they have complied with the Model Code throughout the Reporting Period. No incident of non-compliance of the Model Code by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As of December 31, 2023, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or as otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares or Underlying Shares of the Company

Name of Director	Capacity/Nature of interest	Class of Shares	Number of Shares[1]	Approximate % of total shareholding interest in our Company	Approximate % of the relevant class of Shares[2]
Dr. Yu	Beneficial owner, interest of a party to an agreement regarding interest in the Company[3]	H Share	34,598,400 (L)	13.98%	26.08%
	Beneficial owner, interest of a party to an agreement regarding interest in the Company[3]	A Share	42,579,625 (L)	17.21%	37.10%
Dr. Zhu	Interest of a party to an agreement regarding interest in the Company[3]	H Share	34,598,400 (L)	13.98%	26.08%
	Beneficial owner, interest of a party to an agreement regarding interest in the Company[3], interest in a controlled corporation[4]	A Share	42,579,625 (L)	17.21%	37.10%

Name of Director	Capacity/Nature of interest	Class of Shares	Number of Shares[1]	Approximate % of total shareholding interest in our Company	Approximate % of the relevant class of Shares[2]
Dr. Qiu	Beneficial owner, interest of a party to an agreement regarding interest in the Company[3]	H Share	34,598,400 (L)	13.98%	26.08%
	Beneficial owner, interest of a party to an agreement regarding interest in the Company[3]	A Share	42,579,625 (L)	17.21%	37.10%
Dr. Chao	Interest of spouse[5]	H Share	11,924,700 (L)	4.82%	8.99%
	Interest of spouse[5]	A Share	4,409,500 (L)	1.78%	3.84%
Ms. Nisa Bernice Wing-Yu LEUNG	Beneficial owner	H Share	143,471 (L)	0.06%	0.11%
Dr. Zhongqi SHAO	Beneficial owner	H Share	675,000 (L)	0.27%	0.51%
Mr. Jianzhong LIU	Beneficial owner	H Share	1,000 (L)	0.00%	0.00%

Notes:

(1) (L) – Long position

(2) The percentage is calculated based on the number of relevant class of Shares in issue as of December 31, 2023.

(3) Pursuant to the Concert Party Agreement.

(4) Dr. Zhu is the sole general partner of Shanghai Qianxiyi, Shanghai Qianxirui and Shanghai Qianxizhi, which hold 1.40%, 1.33% and 0.49% of the issued share capital of our Company, respectively. Therefore, Dr. Zhu is deemed to be interested in the Shares held by Shanghai Qianxiyi, Shanghai Qianxirui and Shanghai Qianxizhi, all of which are A Shares.

(5) Dr. Chao is the spouse of Dr. Mao, one of our Controlling Shareholders. Therefore, Dr. Chao is deemed to be interested in the Shares held by Dr. Mao and SCHELD Holding Limited, a company controlled by Dr. Mao, under the SFO.

Save as disclosed above, as of December 31, 2023, to the best knowledge of the Directors, Supervisors or chief executive of the Company, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or as otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As of December 31, 2023, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

Interests in Shares or Underlying Shares of the Company

Name of substantial shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares[1]	Approximate % of total shareholding interest in our Company	Approximate % of the relevant class of Shares[2]
Dr. Mao	Beneficial owner, interest of a party to an agreement regarding interest in the Company[3], interest in a controlled corporation	H Share	34,598,400 (L)	13.98%	26.08%
	Beneficial owner, interest of a party to an agreement regarding interest in the Company[3]	A Share	42,579,625 (L)	17.21%	37.10%
Qiming Corporate GP IV, Ltd.	Interest in a controlled corporation	H Share	7,516,538 (L)	3.04%	5.67%
Qiming GP IV, L.P.	Interest in a controlled corporation	H Share	7,516,538 (L)	3.04%	5.67%
Qiming Venture Partners IV, L.P.	Interest in a controlled corporation	H Share	7,516,538 (L)	3.04%	5.67%
QM29 Limited	Beneficial owner	H Share	7,516,538 (L)	3.04%	5.67%

Notes:

(1) (L) – Long position

(2) The percentage is calculated based on the number of relevant class of Shares in issue as of December 31, 2023.

(3) Pursuant to the Concert Party Agreement, including 7,981,225 A Shares collectively held by Shanghai Qianxiyi, Shanghai Qianxirui and Shanghai Qianxizhi, the exercise of the voting rights attaching to which are controlled by Dr. Zhu.

Save as disclosed above, as of December 31, 2023, to the best knowledge of the Directors, Supervisors or chief executive of the Company, none of the substantial shareholders of the Company had interests or short positions in the Shares and underlying Shares of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 336 of the SFO.

USE OF PROCEEDS FROM LISTING OF H SHARES AND A SHARE OFFERING

Use of H Share IPO Proceeds

The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from its Listing of H Shares and the exercise of over-allotment option of approximately HK$1,309.8 million in aggregate, equivalent to approximately RMB1,122.3 million (the "**H Share IPO Proceeds**"). Taking into account the net proceeds received from the A Share Offering and the Company's operation needs, in order to strengthen the Company's capital efficiency, the Board resolved on August 21, 2020 to change the use of the remaining unutilized H Share IPO Proceeds of approximately RMB682.8 million in total as of June 30, 2020, which was approved by the Shareholders on October 9, 2020. In addition, with a view to achieving the long-term interests of the Company and its Shareholders and the strategic development goals of the Company, and taking into account the actual demands of the market as well as the enhancement of efficiency of funds utilization, the Board resolved on December 2, 2022 to change the use of RMB100 million of the unutilized H Share IPO Proceeds as of November 30, 2022, which was originally allocated for the R&D of DTcP candidates, to the R&D of combined vaccine candidates containing DTcP components to enrich the product portfolio of vaccines and enhance the market competitiveness of the Company which was approved by the shareholders on December 21, 2022.

The table below sets out, among other things, the revised allocation of unutilized H Share IPO Proceeds and actual usage of the re-allocated H Share IPO Proceeds up to December 31, 2023. The Company prioritized the use of A Share IPO Proceeds (as defined below) after receiving it, and thus the actual usage of corresponding H Share IPO Proceeds was delayed.

Intended use of H-Share Proceeds	Proposed use of H Share IPO Proceeds as of the time of Listing (RMB million)	Unutilized H Share IPO Proceeds as of June 30, 2020 (RMB million)	Revised allocation of unutilized H Share IPO Proceeds approved on October 9, 2020 (RMB million)	Unutilized H Share IPO Proceeds as of November 30, 2022 (RMB million)	Revised allocation of unutilized H Share IPO Proceeds approved on December 2, 2022 (RMB million)	Actual usage during the Reporting Period (RMB million)	Actual usage up to December 31, 2023 (RMB million)	Unutilized net proceeds as of December 31, 2023 (RMB million)	Expected time of full utilization of remaining balance
Research and development and commercialization of MCV candidates	505.1	458.2	38.2	–	–	–	85.1	–	NA
Research and development of DTcP candidates	224.5	166.6	166.6	149.3	49.3	13.0	88.9	35.6	By the end of 2024
Research and development of other key products	168.3	41.8	41.8	10.7	10.7	9.2	168.3	–	NA
Continued R&D of our pre-clinical vaccine candidates	112.2	10.7	10.7	–	–	–	112.2	–	NA
Working capital and other general corporate purposes	112.2	5.5	5.5	–	–	–	112.2	–	NA
(i) cooperation, licensing and introduction of advanced technologies, vaccine candidates and biological products; (ii) development of vaccine candidates; and (iii) acquisition of high-quality assets related to vaccines and biological products	–	–	420.0	384.3	384.3	43.8	88.0	332.0	By the end of 2024
Research and development of combined vaccine candidates containing DTcP components	–	–	–	–	100.0	13.1	13.2	86.8	By the end of 2025
Total	1,122.3	682.8	682.8	544.3	544.3	79.1	667.9	454.4	

USE OF A SHARE IPO PROCEEDS

The A Shares were listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange on August 13, 2020. The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the A Share Offering of approximately RMB4,979.5 million (the "**A Share IPO Proceeds**"). Taking into the account the trend of the vaccine industry and the Company's long-term development strategies, in order to improve the Company's capabilities of R&D, manufacturing, testing and storage, the Board resolved on April 29, 2021 to change the use of the remaining unutilized A Share IPO Proceeds, which was approved by the Shareholders on May 28, 2021.

The table below sets out, among other things, the planned applications of the A Share IPO Proceeds and actual usage up to December 31, 2023:

Intended use of A Share IPO Proceeds	Planned applications of A Share IPO Proceeds (RMB million)	Revised Planned applications of A Share IPO Proceeds on May 28, 2021 (RMB million)	Actual usage during the Reporting Period (RMB million)	Actual usage up to December 31, 2023 (RMB million)	Unutilized net proceeds as of December 31, 2023 (RMB million)	Expected time of full utilization of remaining balance
CanSino Innovative Vaccine Industrial Campus Project[1]	550.0	1,100.0	284.5	512.5	587.5	By the end of 2024
Development of vaccine candidates[2]	150.0	150.0	25.1	53.4	96.6	By the end of 2024
Construction of vaccine traceability and cold chain logistics system and information system	50.0	50.0	–	50.0	–	NA
Working capital	250.0	250.0	–	250.0	–	NA
Sub-total[3]	1,000.0	1550.0	309.6	865.9	684.1	NA
Over-raised proceeds from A Share Offering[3], [4]	3,979.5	3,429.5	–	3,429.5	–	NA
Total	4,979.5	4,979.5	309.6	4,295.4	684.1	

Notes:

(1) On April 29, 2021, the Board proposed to upgrade and replace the construction plan of phase II manufacture facilities with the CanSino Innovative Vaccine Industrial Campus Project, which was subsequently approved by the Shareholders on May 28, 2021. The Company plans to invest approximately RMB2,244.7 million into the CanSino Innovative Vaccine Industrial Campus Project, which will be funded by (i) the proposed change of use in the unutilized A Share IPO Proceeds planned for the construction of phase II manufacture facilities, being approximately RMB550.0 million, as well as any interests generated therefrom; (ii) the proposed application of a portion of the unutilized over-raised proceeds from the A Share Offering of RMB550.0 million; and (iii) the Group's internal resources and bank borrowings to be arranged by the Company (if any) to cover the remaining amount. For details, please refer to the circular of the Company published on the website of Hong Kong Stock Exchange dated May 12, 2021 in relation to the proposed change in use of proceeds from A Share Offering.

(2) On March 28, 2023, based on the production and operation of the Company, the Board proposed to change in the investment projects using the A Share IPO Proceeds under the development of vaccine candidates of RMB150.0 million. Since DTcP-Hib has not obtained the approval for the clinical trial, the proposed raised proceeds of RMB30 million has not been utilized. In order to improve the efficiency of the proceeds and improve the market competitiveness of the combined vaccine products, the Company proposed to change the use of proceeds of RMB30 million to the research and development of combined vaccine candidates containing DTcP components, which was subsequently approved by the Shareholders at the general meeting on June 30, 2023. For details, please refer to the circular of the Company published on the website of Hong Kong Stock Exchange dated June 8, 2023 in relation to the proposed change in the investment projects using the part of A Share IPO Proceeds.

(3) The A Share IPO Proceeds consist of: (i) a total of RMB1,000.0 million, the proposed applications of which have been disclosed in the prospectus of the A Share Offering; and (ii) the over-raised proceeds of RMB3,979.5 million. STAR Market Listing Rules do not require intended use to be applied to the over-raised proceeds obtained from A Share Offering. Any subsequent intended use for the over-raised proceeds from A Share Offering shall be approved by the Shareholders at a general meeting.

(4) As approved by the Shareholders at the extraordinary general meeting held on October 9, 2020, October 11, 2021 and December 21, 2022, a total amount of RMB3,429.5 million of the over-raised proceeds from A Share Offering has been used to permanently supplement working capital. The Company will use the unutilized over-raised proceeds from A Share Offering for future business needs and the Company's production and operation activities related to its main business.

The expected timeline for utilizing the remaining proceeds from each of the Listing of H Shares and A Share Offering is set on the basis of the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change. Based on our estimates, we currently intend to apply the unutilized net proceeds in accordance with the plans set out in the above tables.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

On January 23, 2022, the Board approved the repurchase of a portion of issued A Shares by the Company using its internal funds through Centralized Bidding Trading at the seventh extraordinary meeting of the second session of the Board (the "**Share Repurchase**"). The total amount of funds for the Share Repurchase shall be not less than RMB150 million (inclusive) and not more than RMB300 million (inclusive). The maximum repurchase price of the Shares Repurchase will not exceed RMB446.78 per A Share, and all the A Shares repurchased will be used for future employee stock ownership plan or equity incentive scheme. Pursuant to the Share Repurchase, the Company has repurchased 683,748 numbers of A Shares with a total consideration amounted to approximately RMB150.2 million, including the transaction costs of RMB152,000 in 2022. As of December 31, 2023, 277,650 shares of the repurchased A Shares were used for the 2023 Stock Ownership Plan.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2023, save as disclosed below in note 42 to the financial statements, the Group did not have any significant transactions with related parties (2022: nil).

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities. If any of the Shareholders is unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, he or she is advised to consult an expert.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Company has complied with all relevant laws and regulations that have a significant impact on the Company. During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Company.

PERMITTED INDEMNITY PROVISION

During the Reporting Period and as of December 31, 2023, the Company had purchased liability insurance for Directors and Supervisors which provides proper protection from liabilities arising from or in connection with the performance of their duties.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as of the date of this report, the Company has maintained the prescribed percentage of public float under the Hong Kong Listing Rules.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years (prepared in accordance with HKFRS) are set out on page 4 of this report. This summary does not form part of the audited consolidated financial statements.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held in due course. A notice convening the annual general meeting and setting out the arrangements in relation to the closure of register of members will be published and dispatched to the Shareholders in due course in accordance with the requirements of the Hong Kong Listing Rules.

AUDIT COMMITTEE

As of the date of this report, the Audit Committee consists of three independent non-executive Directors being Mr. Yiu Leung Andy CHEUNG, Mr. Shuifa GUI and Mr. Jianzhong LIU. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and overseeing the audit process.

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

AUDITOR

The audited consolidated financial statements for the year ended December 31, 2023 has been audited by Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu shall retire in the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment. A resolution to re-appoint Deloitte Touche Tohmatsu as auditor of the Company and to authorize the chairman to determine the specific matters, including but not limited to its remuneration will be proposed at the forthcoming annual general meeting.

By order of the Board
CanSino Biologics Inc.
Xuefeng YU
Chairman

Hong Kong,
March 27, 2024

Report of the Board of Supervisors

With the joint efforts of all Supervisors and in accordance with the laws and regulations such as the Company Law, the provisions of the Articles of Association and the Rules of Procedures for Meeting of the Board of Supervisors, the Board of Supervisors, in the spirit of being responsible to all Shareholders of the Company, conscientiously performed the duties and powers bestowed upon it by relevant laws and regulations, actively and effectively carried out the work, supervised the compliance of the operation of the Company and the performance of duties by the Directors and senior management of the Company, and safeguarded the legitimate rights and interests of the Company as well as its Shareholders.

The work of the Board of Supervisors in 2023 and the work plan for 2024 are hereby reported as follows:

I. REPORT OF THE BOARD OF SUPERVISORS FOR 2023

The Company held four meetings of the Board of Supervisors during the Reporting Period, details of which are as follows:

1. On March 27, 2023, the Company held the nineteenth meeting of the Second Session of the Board of Supervisors, at which the "Proposal on the Work Report of the Board of Supervisors for 2022", "Proposal on the Annual Report for 2022 and its Summary", "Proposal on the Financial Accounts Report and Financial Audit Report for 2022", "Proposal on the Internal Control Evaluation Report of the Company for 2022", "Proposal on the Environmental, Social and Governance (ESG) Report & Social Responsibility Report of the Company for 2022", "Proposal on the Proposal on Profit Distribution Plan for 2022", "Proposal on the Dividend Distribution Plan for the Shareholders for the Next Three Years (2023 to 2025) of the Company", "Proposal on the Appointment of Domestic and Foreign Auditors and Internal Control Auditors for 2023", "Proposal on the Remuneration of Senior Management for 2022 and 2023", "Proposal on the Request to the General Meeting for General Mandate for the Issuance of A Shares and/or H Shares by the Board of Directors of the Company", "Proposal on the Request to the General Meeting for Authorization to the Board of Directors to Issue Shares to Specific Parties by Simplified Procedures", "Proposal on the Request to the General Meeting for General Mandate for the Repurchase of H Shares by the Board of Directors", "Proposal on the Request to the General Meeting for General Mandate for the Repurchase of A Shares by the Board of Directors", "Proposal on the General Mandate for the Issuance of Onshore and Offshore Debt Financing Instruments", "Proposal on New/Renewal of Bank Credit Facilities for 2023", "Proposal on External Guarantee Estimation for 2023", "Proposal on the Special Report on the Deposit and Use of Proceeds for 2022", "Proposal on the Change in Part of the Investment Projects with Fund Raised", "Proposal on the Use of Idle Self-owned Funds for Cash Management", "Proposal on the Daily Connected Transactions Estimation for 2023", "Proposal on Conducting Foreign Exchange Hedging Business", "Proposal on the Cancellation of Granted and Reserved Restricted Stock", "Proposal on the '2023 A Share Employee Stock Ownership Plan (Draft)' and its Summary and the 'Administrative Measures on the 2023 A Share Employee Stock Ownership Plan'" and "Proposal on the Request to the General Meeting for Authorization to the Board of Directors to Deal with Matters Relating to the 2023 A Share Employee Stock Ownership Plan" were considered an approved.

2. On April 28, 2023, the Company held the twentieth meeting of the Second Session of the Board of Supervisors, at which the "Proposal on the First Quarterly Report of CanSino Biologics Inc. for 2023", "Proposal on the Amendments to the 'Articles of Association' and Relevant Rules of Procedures", "Proposal on the Amendments to the Internal Management Policies" and "Proposal on the Company's Unrecovered Losses Reaching One Third of the Total Paid-in Capital" were considered and approved.

3. On August 30, 2023, the Company held the twenty-first meeting of the Second Session of the Board of Supervisors, at which the "Proposal on the Interim Report for 2023 and its Summary", "Proposal on the Interim Report on the Deposit and Use of Proceeds for the Period for 2023" and "Proposal on the Use of Temporarily Idle Proceeds for Cash Management" were considered and approved.

4. On October 30, 2023, the Company held the twenty-second meeting of the Second Session of the Board of Supervisors, at which the "Proposal on the Third Quarterly Report for 2023" was considered and approved.

Meanwhile, during the Reporting Period, the Supervisors attended all the meetings of the Board of Directors and Shareholders' meetings, paid attention to the operation and management of the Company, participated in the discussion of major decisions of the Company, and supervised the content of the resolutions considered at the meetings of the Board of Directors and Shareholders' meetings as well as the legal compliance of the procedures for convening the meetings according to the law.

II. OPINIONS OF THE BOARD OF SUPERVISORS DURING THE REPORTING PERIOD

(I) Compliance of the Operation

The members of the Board of Directors and senior management of the Company operated in strict compliance with the relevant provisions of the Company Law and the Articles of Association, diligently and responsibly performed their duties with a scientific and reasonable decision-making process and earnestly implemented each resolution of the Shareholders' meetings, and no illegal act or action against the interests of the Company was noticed.

(II) Financial Position of the Company

In 2023, the Board of Supervisors examined and supervised the financial operation of the Company by listening to the report of the financial officers of the Company, reviewing the annual report of the Company and examining the audit report issued by the accounting firm. The Company's financial statements were prepared in compliance with the related requirements of the Accounting Standards for Enterprises and the financial report of the Company for 2023 presented a true view on the financial position of the Company. The audit opinion issued by the auditor was objective and fair.

(III) Internal Control

Based on the relevant regulations of the Company Law and the Articles of Association together with its actual condition, the Company established a comprehensive internal management and internal control system, which ensures the normal operation of the Company. The Company has a complete internal control organization and an internal audit department with sufficient staff to ensure full and effective implementation and supervision of the Company.

(IV) Deposit and Use of Proceeds by the Company

The Company's deposit and actual use of proceeds in 2023 was in compliance with the relevant laws and regulations of the CSRC and Shanghai Stock Exchange, and the actual investment projects using the Company's proceeds were consistent with the committed projects. On the premise of ensuring the safety of the proceeds and not affecting the investment plan of the proceeds, the Company used part of the temporarily idle proceeds for cash management, which was conducive to improving the efficiency of the use of the proceeds. The management and use of the Company's proceeds were in strict compliance with the relevant laws and regulations, while the approval procedures were lawful and effective. There were no incidents that were against the interests of the Company and the Shareholders.

(V) Related Transactions

The related transactions of the Company are fair and just, in compliance with the relevant requirements of national laws and regulations and the Articles of Association, reflecting the principle of market-oriented fairness. The voting procedures are in compliance with laws and regulations, and there were no acts against the interests of the Company and the Shareholders detected.

III. WORK PLAN FOR 2024

The Board of Supervisors of the Company will continue to perform its duties in strict accordance with laws and regulations such as the Company Law and the Securities Law and relevant provisions of the Company's policies such as the Articles of Association and the Rules of Procedures for Meeting of the Board of Supervisors, safeguard and protect the interests of the Company and all Shareholders, and perform supervisory duties honestly and diligently:

(1) For the purpose of safeguarding the Company's interests as a whole, keep up with the material issues of the Company and oversee the decision-making process and performance of such material issues, strengthen the supervision of major operating income and expenditure and major decisions of the Company, promote the standardized operation and high-quality development of the Company, and prevent operation risks.

(2) Supervise and inspect the financial position of the Company, maintain communications and contacts with the internal audit department, external auditors and the relevant regulatory authorities, ensure the effective implementation of the Company's various policies and the effective execution of internal control measures, prevent and reduce the Company's risks, and promote sustainable and healthy development of the Company.

(3) Supervise the legality and compliance of the performance of duties by the Directors and senior management of the Company.

(4) Strengthen self-improvement, enhance supervisory awareness and supervisory capability, improve the supervision function, and further strengthen the supervision and due diligence consciousness of the Board of Supervisors.

The Board of Supervisors
CanSino Biologics Inc.
March 27, 2024

To the Shareholders of CanSino Biologics Inc.
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of CanSino Biologics Inc. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 84 to 169, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
As disclosed in Note 5 to the consolidated financial statements, after the deduction of sales return provision, the Group recognized the net revenue generated from sales of vaccine and relevant products amounting to RMB345 million for the year ended 31 December 2023. Revenue has a significant impact on financial statements and is one of the Group's key performance indicators, which has an inherent risk of manipulation to achieve the expected goals. Moreover, the sales return provision requires significant management estimates. Therefore, we identify the occurrence and accuracy of revenue recognition as a key audit matter.	Our main procedures in relation to the occurrence and accuracy of revenue recognition included: 1. Obtaining the typical sales contracts. Inspecting the terms of the contracts obtained for risk assessment and evaluating whether the timing of revenue recognition of the Group complies with HKFRS 15 *Revenue from Contracts with Customers*. 2. Understanding the key controls related to the occurrence and accuracy assertion of revenue recognition, including but not limited to the Group's internal control over the review of sales contract terms, revenue recognition process, and accounting estimates related to sales returns. Evaluating the design and operating effectiveness of these controls. 3. Performing test of details on a sample basis by checking the recorded revenue transactions to relevant supporting documents. 4. For domestic vaccine products sale transactions, reconciling all the invoices issued for the sales of vaccine products with records from National Tax system. 5. Evaluating the reasonableness of key assumptions and raw data utilized by the management and underlying supporting evidence in relation to the estimation of the sales return, together with the information of actual sales return on historical sales. 6. Reviewing the management's calculation of the estimation of sales return.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Inventory provision	
As disclosed in Note 19 to the consolidated financial statements, as at 31 December 2023, the gross amounts of inventories were approximately RMB1,082 million, net of write down of inventories of approximately RMB731 million. The carrying amounts of inventories were approximately RMB351 million. The inventory allowance provided in 2023 amounted to approximately RMB473 million. When determining the provision of inventories, the Group takes into account the factors including the expire dates of the inventories and the expected future demand of the vaccine products, etc. As inventory balances are significant and the determination of the provision of inventories involves critical management estimates, we identify the valuation of inventory provision as a key audit matter.	Our main procedures in relation to the valuation and allocation of inventory included: 1. Understanding the methodology to calculate the inventory provision and evaluating whether the methodology adopted by the Group complies with HKAS 2 *Inventories*. 2. Understanding the key controls over the calculation of inventory provision and evaluating the design and operating effectiveness of these controls. 3. Performing physical inspection of the inventory, observing the storage status of inventory, verifying the quantity of ending inventory balance and examing the expire dates information of inventories on a sample basis. 4. Evaluating the reasonableness of the model and key parameters used by the management in relation to inventory provision calculation of different products, and reviewing the accuracy of the calculation. 5. For the raw data utilized in the calculation of inventory provision, tracing to supporting evidence to check the consistency on a sample basis. 6. Assessing whether the Group has accurately provided allowance for inventories which are not expected to be consumed or sold within the expire dates.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment on idle property, plant and equipment of CanSino SPH Biologics Inc.	
As disclosed in Note 14 to the consolidated financial statements, CanSino SPH Biologics Inc. (上海上藥康希諾生物製藥有限公司) ("**CanSino SPH**"), a subsidiary of the Group, has temporarily ceased production activities since April 2023 and the relevant property, plant and equipment were idle. The management considered that there were indications of impairment for the relevant property, plant and equipment, and made a provision for impairment on property, plant and equipment on the basis of the results of the impairment testing. The recoverable amounts of the relevant property, plant and equipment have been determined based on the fair value of underlying assets less costs of disposal. As at 31 December 2023, the carrying value of CanSino SPH's property, plant and equipment before impairment was approximately RMB 816 million, the impairment allowance of property, plant and equipment of approximately RMB 326 million. The carrying amounts of CanSino SPH's property, plant and equipment were approximately RMB 490 million. The impairment loss provided in 2023 amounted to approximately RMB 326 million. As CanSino SPH's idle property, plant and equipment are significant and it involves critical management estimates when estimating the amount of impairment on these property, plant and equipment. Such estimates include the determination of the model in relation to impairment testing, the valuation methodology, the key assumptions and parameters used in the valuation process, etc. We identify the valuation of impairment on idle property, plant and equipment of CanSino SPH as a key audit matter.	Our main procedures in relation to the valuation of CanSino SPH's idle property, plant and equipment included: 1. Understanding the key controls of CanSino SPH over the impairment assessment on property, plant and equipment and evaluating the design and operating effectiveness of these controls. 2. For CanSino SPH's idle property, plant and equipment, evaluating whether the methodology adopted by the management to estimate the recoverable amount based on the fair value of the underlying assets less costs of disposal complies with HKAS 36 *Impairment of Assets*. 3. Obtaining the valuation process and results from the management on the fair value less costs of disposal of CanSino SPH's idle property, plant and equipment and involving internal valuation specialists to review the valuation technology, key assumptions and parameters including newness rate and costs of disposal used by the management in the valuation process. 4. Checking the row data used in the valuation process and reviewing the accuracy of the management's calculations on the impairment of CanSino SPH's idle property, plant and equipment.

OTHER INFORMATION

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors of the Company's 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chan Men.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
March 27 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	5	**345,182**	1,031,041
Cost of sales		**(1,221,201)**	(1,217,648)
Gross loss		**(876,019)**	(186,607)
Other income	6	**197,293**	156,937
Selling expenses		**(353,395)**	(266,613)
Administrative expenses		**(294,452)**	(278,067)
Research and development expenses		**(637,987)**	(778,257)
Impairment loss under expected credit loss ("**ECL**") model		**(15,046)**	(8,777)
Other losses, net	9	**(56,793)**	(7,358)
Share of results of an associate		**1,217**	–
Operating loss		**(2,035,182)**	(1,368,742)
Finance income or gains	10	**120,641**	226,571
Finance costs or losses	10	**(64,343)**	(41,830)
Finance income or gains – net	10	**56,298**	184,741
Loss before income tax		**(1,978,884)**	(1,184,001)
Income tax credit	11	**11,451**	219,244
Loss for the year	7	**(1,967,433)**	(964,757)
Loss for the year attribute to owners of the Company		**(1,482,732)**	(909,431)
Loss for the year attribute to non-controlling interests		**(484,701)**	(55,326)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(297)**	121
Other comprehensive (expense) income for the year, net of income tax		**(297)**	121
Total comprehensive expense for the year		**(1,954,832)**	(964,636)
Total comprehensive expense attribute to			
– Owners of the Company		**(1,483,029)**	(909,310)
– Non-controlling interests		**(484,701)**	(55,326)
		(1,967,730)	(964,636)
Loss per share			
– Basic and diluted (in RMB)	12	**(6.01)**	(3.68)

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	As at 31 December 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**2,838,342**	2,858,592
Right-of-use assets	15	**295,812**	320,669
Intangible assets	16	**111,841**	162,622
Financial assets at fair value through profit or loss	23	**122,145**	46,865
Other receivables and prepayments	22	**237,529**	150,367
Investments in associates	17	**18,168**	3,250
Deferred tax assets	18	**207,861**	196,410
Term deposits with initial term of over three months	24	**306,243**	–
Total non-current assets		**4,137,941**	3,738,775
Current assets			
Inventories	19	**350,656**	677,777
Contract costs	20	**2,192**	–
Trade receivables	21	**636,882**	855,490
Income tax recoverable		**–**	21,217
Other receivables and prepayments	22	**59,933**	228,910
Financial assets at fair value through profit or loss	23	**1,309,570**	2,482,057
Term deposits with initial term of over three months	24	**763,397**	69,910
Bank balances and cash	25	**2,046,998**	3,394,824
Restricted bank deposits	26	**11,200**	–
Total current assets		**5,180,828**	7,730,185
Total assets		**9,318,769**	11,468,960
Capital and Reserves			
Share capital and share premium	27	**6,842,006**	6,785,406
Treasury shares	27	**(106,173)**	(150,169)
Capital reserves	28	**(21,028)**	70,025
Statutory reserves		**118,389**	118,389
Translation reserves		**(176)**	121
Accumulated losses		**(1,558,414)**	(75,682)
Equity attributable to owners of the Company		**5,274,604**	6,748,090
Non-controlling interests		**12,811**	497,512
Total equity		**5,287,415**	7,245,602
LIABILITIES			
Non-current liabilities			
Borrowings	29	**1,065,660**	878,008
Other payables and accruals	35	**8,492**	–
Lease liabilities	30	**175,183**	198,287
Deferred income	33	**190,175**	204,998
Total non-current liabilities		**1,439,510**	1,281,293
Current liabilities			
Trade payables	34	**103,970**	253,120
Contract liabilities	5	**3,567**	1,480
Other payables and accruals	35	**858,289**	791,884
Financial liabilities at fair value through profit or loss	36	**973**	–
Borrowings	29	**1,394,865**	1,575,577
Lease liabilities	30	**64,633**	48,758
Provisions	32	**26,245**	–
Refund liabilities	31	**112,759**	253,889
Deferred income	33	**26,543**	17,357
Total current liabilities		**2,591,844**	2,942,065
Total liabilities		**4,031,354**	4,223,358
Total equity and liabilities		**9,318,769**	11,468,960

The consolidated financial statements on page 84 to page 169 were approved and authorised for issue by the board of directors on March 27 2024.

Director:Xuefeng YU

Director: Shoubai CHAO

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Translation reserves RMB'000	Accumulated (Losses) profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2023	**247,450**	**6,537,956**	**(150,169)**	**70,025**	**118,389**	**121**	**(75,682)**	**6,748,090**	**497,512**	**7,245,602**
Total comprehensive expense										
– Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,482,732)**	**(1,482,732)**	**(484,701)**	**(1,967,433)**
– Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(297)**	**–**	**(297)**	**–**	**(297)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(297)**	**(1,482,732)**	**(1,483,029)**	**(484,701)**	**(1,967,730)**
Recognition of equity-settled share-based payments (Note 27)	**–**	**–**	**–**	**9,543**	**–**	**–**	**–**	**9,543**	**–**	**9,543**
Transfer upon vesting of share-based payments (Note 26)	**–**	**56,600**	**–**	**(56,600)**	**–**	**–**	**–**	**–**	**–**	**–**
Treasury shares granted under 2023 Stock Ownership Plan (Note 26)	**–**	**–**	**43,996**	**(43,996)**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2023	**247,450**	**6,594,556**	**(106,173)**	**(21,028)**	**118,389**	**(176)**	**(1,558,414)**	**5,274,604**	**12,811**	**5,287,415**
Balance at 1 January 2022	247,450	6,537,956	–	59,942	118,389	–	1,031,309	7,995,046	552,838	8,547,884
Total comprehensive expense										
– Loss for the year	–	–	–	–	–	–	(909,431)	(909,431)	(55,326)	(964,757)
– Other comprehensive income for the year	–	–	–	–	–	121	–	121	–	121
Total comprehensive expense for the year	–	–	–	–	–	121	(909,431)	(909,310)	(55,326)	(964,636)
Recognition of equity-settled share-based payments	–	–	–	10,083	–	–	–	10,083	–	10,083
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	(197,560)	(197,560)	–	(197,560)
Repurchase of shares (Note 26)	–	–	(150,169)	–	–	–	–	(150,169)	–	(150,169)
Balance at 31 December 2022	247,450	6,537,956	(150,169)	70,025	118,389	121	(75,682)	6,748,090	497,512	7,245,602

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 RMB'000	2022 RMB'000
Operating activities			
Cash used in operations	37	**(993,083)**	(1,921,564)
Interests received		**76,831**	62,049
Income tax paid		**–**	(28,084)
Net cash used in operating activities		**(916,252)**	(1,887,599)
Investing activities			
Purchase of property, plant and equipment		**(585,574)**	(975,997)
Purchase of structured deposit, wealth management products and certificates of deposit held for trading		**(6,727,375)**	(12,291,912)
Acquisition of a subsidiary		**(337)**	–
Acquisition of investment in an associate		**(13,701)**	–
Cash paid for equity and fund investments		**(96,000)**	(3,250)
Payment for term deposits with initial term of over three months		**(1,367,496)**	(69,583)
Proceeds from term deposits with initial term of over three months		**396,826**	438,048
Proceeds from maturity of structured deposit and wealth management products		**7,907,000**	11,666,912
Proceeds on disposal of property, plant and equipment		**312**	–
Cash received from the repayment of rental deposits		**142**	–
Payment for rental deposits		**(142)**	(368)
Purchase of intangible assets		**(24,896)**	(99,016)
Receipt of investment income on structured deposits and term deposits		**61,594**	107,157
Receipt of asset related government grants		**8,025**	36,054
Net cash used in investing activities		**(441,622)**	(1,191,955)
Financing activities			
Dividends paid		**(3,628)**	(193,932)
Interest paid		**(70,118)**	(47,350)
Considerations received from employees for subscribing restricted A shares of the Company under the 2023 stock ownership plan		**16,984**	–
Payment on repurchase of shares		**–**	(150,169)
Repayment of borrowings		**(1,615,756)**	(1,365,699)
Repayment of lease liabilities		**(20,100)**	(22,599)
New borrowings raised		**1,685,036**	2,634,351
Net cash (used in) generated from financing activities		**(7,582)**	854,602
Net decrease in cash and cash equivalents		**(1,365,456)**	(2,224,952)
Cash and cash equivalents at the beginning of the year		**3,391,268**	5,455,456
Effect of foreign exchange rate changes		**20,287**	160,764
Cash and cash equivalents at the end of the year	25	**2,046,099**	3,391,268

1. GENERAL INFORMATION

CanSino Biologics Inc. (the "**Company**") was incorporated in Tianjin of the People's Republic of China (the "**PRC**") on 13 January 2009 as a limited liability company by Xuefeng Yu, Tao Zhu, Dongxu Qiu, Xuan Liu and Helen Huihua Mao. The address of the Company's registered office is 401-420, 4th Floor, Biomedical Park, 185 South Avenue, TEDA West District, Tianjin, the PRC. Upon approval by the shareholders' general meeting held on 10 February 2017, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC and changed its registered name from "Tianjin CanSino Biotechnology Inc.(天津康希諾生物技術有限公司)" to "CanSino Biologics Inc. (康希諾生物股份公司)" on 13 February 2017. The Company and its subsidiaries (collectively referred to as the "**Group**"), are principally engaged in the research and development, manufacturing and commercialisation of vaccine products for human use and medical research and experimental development services.

The Company's H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 28 March 2019 (the "**HK Listing**"), and the Company's A shares were listed on the SSE STAR Market on 13 August 2020 (the "**A Share Listing**").

The consolidated financial statements are presented in Renminbi ("**RMB**") and rounded to nearest thousand yuan, unless otherwise stated.

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

2.1 Basis of preparation

(i) Basis of preparation of consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

2.1 Basis of preparation (Continued)

(i) Basis of preparation of consolidated financial statements (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(ii) New and amended standards adopted by the Group

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Polices

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

2.1 Basis of preparation (Continued)

(ii) Amended standards adopted by the Group (Continued)

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

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

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

- the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised the related deferred tax assets and deferred tax liabilities on a gross basis at 1 January 2022 in note 18 but it has no impact on the accumulated losses at the earliest period presented.

Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

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

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

2.1 Basis of preparation (Continued)

(ii) Amended standards adopted by the Group (Continued)

Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform-Pillar Two model Rules (Continued)

CanSino Biologics (Switzerland) SA ("**CanSino Switzerland**"), a subsidiary of the Group, has applied the temporary exception immediately upon issue of these amendments and retrospectively, i.e. applying the exception from the date the Pillar Two legislation is enacted or substantially enacted. Since CanSino Switzerland incurred loss for the current year, the Group's exposure to Pillar Two income taxes is immaterial for the year ended 31 December 2023.

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

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

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

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

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

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 2 to the consolidated financial statements.

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

2.1 Basis of preparation (Continued)

(iii) Amended standards not early adopted by the Group

The following amendments to HKFRSs have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

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

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

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

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

2.2 Subsidiaries

A subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over the investee, 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 Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

2.2 Subsidiaries (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

(i) the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) potential voting rights held by the Group, other vote holders or other parties;

(iii) rights arising from other contractual arrangements; and

(iv) any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

2.3 Investments in associates (Continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.4 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 whenever there is an indication that the investments may be impaired.

2.5 Segment reporting

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

2.6 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 consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

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

2.6 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Non-monetary items those are measured in terms of historical cost in a foreign currency are not translated.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within finance income or finance costs.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Buildings, leasehold improvements and other equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning property and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of HKAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequent costs are included in the asset's carrying amount or recognised 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Buildings	3-20 years
Leasehold improvements	Shorter of remaining lease term or estimated useful life
Equipment and instruments	5-10 years
Motor vehicles	4 years
Office equipment and furniture	3-5 years

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

2.7 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains (losses), net" in the consolidated statement of profit or loss and other comprehensive income.

2.8 Intangible assets

(a) Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives of 2 to 10 years. Costs associated with maintaining computer software programs are recognised as expense as incurred. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(b) Non-proprietary technologies

Non-proprietary technologies are initially recorded at cost and are amortised on a straight-line basis over their useful lives of 2 to 10 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(c) Research and development

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

(i) The technical feasibility to complete the development project so that it will be available for use or sale;

(ii) The intention to complete the development project to use or sell the vaccine product;

(iii) The ability to use or sell the vaccine product;

(iv) The manner in which the development project will generate probable future economic benefits for the Group;

(v) The availability of adequate technical, financial and other resources to complete the development project and use or sell the vaccine product; and

(vi) The expenditure attributable to the asset during its development can be reliably measured.

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

2.8 Intangible assets (Continued)

(c) Research and development (Continued)

The Group recognise development costs as follows:

For class I biological products (biological products that have not been previously approved for sale in China or abroad), development stage begins after obtaining new drug application approval from drug regulatory organization. Development costs at this stage are recognised as assets when the above six criteria are met.

For non-class I biological products, development stage begins after Phase III clinical trials are conducted substantially. Development costs at Phase III are recognised as assets when the above six criteria are met.

Development expenditures not satisfying the above criteria are recognised in the profit or loss as incurred.

Capitalised development costs are amortised using the straight-line method over the life of the related vaccine product. Amortisation shall begin when the asset is available for use.

2.9 Impairment of non-financial assets

Intangible assets not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Property, plant and equipment, right-of-use assets, intangible assets available for use, interests in associates are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

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

2.10 Financial assets and financial liabilities

(a) Initial recognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an ECL is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income, which results in an accounting loss being recognised in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(b) Classification and subsequent measurement

Financial assets

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

(i) amortised cost;

(ii) fair value through other comprehensive income; or

(iii) fair value through profit or loss.

Except for the financial assets measured at fair value through profit or loss as disclosed in Note 23, the financial assets of the Group are measured at amortised cost.

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

2.10 Financial assets and financial liabilities (Continued)

(b) Classification and subsequent measurement (Continued)

The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset.

A debt instrument shall be measured at amortised cost if all of the following conditions are met:

(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

(iii) they are not designated at financial assets at fair value through profit or loss.

The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is measured using the effective interest rate method.

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

The Group subsequently measures all equity investments at fair value through profit or loss.

Gains and losses on debt or equity investments at fair value through profit or loss are included in the profit or loss. The gains or losses recognised in profit or loss exclude any dividend or interest earned on the financial asset and is included in the "other losses, net " line item.

Financial liabilities and equity

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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

Financial liabilities

In both the current and prior year, financial liabilities are classified as subsequently measured at amortised cost using the effective interest method.

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

2.10 Financial assets and financial liabilities (Continued)

(c) Derecognition

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated balance sheet) when:

(i) the rights to receive cash flows from the asset have expired; or

(ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument.

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

2.10 Financial assets and financial liabilities (Continued)

(d) ECL

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost. The Group recognises a loss allowance for such losses at each reporting date.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The measurement of ECL reflects: An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) Significant increase in credit risk

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

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

- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. Changes in market indicators of credit risk include, but are not limited to: the credit spread, the credit default swap prices for the borrower, the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost and other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments;

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

2.10 Financial assets and financial liabilities (Continued)

(d) ECL (Continued)

(i) Significant increase in credit risk (Continued)

- An actual or expected significant change in the financial instrument's external credit rating;
- An actual or expected internal credit rating downgrade for the borrower;
- Expected adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;
- An actual or expected significant change in the operating results of the borrower;
- A significant adverse change in the regulatory, economic, or technological environment of the borrower;
- Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group;
- Changes in the entity's credit management approach in relation to the financial instrument.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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

2.10 Financial assets and financial liabilities (Continued)

(d) ECL (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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

2.10 Financial assets and financial liabilities (Continued)

(d) ECL (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

ECL for trade receivables and certain other receivables are considered on a collective basis taking into consideration ageing information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Ageing;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments subject to ECL measurement by adjusting their carrying amount with the corresponding adjustment is recognised through a loss allowance account.

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

2.11 Inventories

Inventories including finished goods, goods shipped in transit, work in progress, raw materials and consumable materials purchased for production, research and development activities are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable 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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

Other receivables are recognised initially at fair value. Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less allowance for ECL.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash, 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. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

2.14 Share capital

Ordinary shares are classified as equity.

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

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

2.15 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. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting year. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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.

2.17 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

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

2.18 Current and deferred income tax

The income tax expense or credit for the period represents the sum of current and deferred income tax expense, which is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting nor taxable profit or loss and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. 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 realised or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

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 realise the asset and settle the liability simultaneously.

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

2.19 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits 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 recognised 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 "payroll and welfare payable" in Note 35.

(b) Post-employment obligations

The Group incorporated in the PRC contributes based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and further retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

(c) Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

2.20 Interest income

Interest income is presented as finance income where it is earned from term deposits and financial assets that are held for cash management purposes. Any other interest income is included in other income.

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

2.21 Share-based payments

Equity-settled share-based payments

Share-based compensation benefits are provided to employees via various share award schemes. Information relating to these schemes is set out in Note 28.

The fair value of equity-settled share-based payments granted to employees under Employee Share Plans is recognised as an employee benefit expense over the relevant service period, being the vesting period of the shares, and the credit is recognised in equity in the capital reserve. The fair value of the shares is measured at the grant date without taking into consideration all non-market vesting conditions. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the capital reserve. Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed in profit or loss. When shares granted are vested, the amount previously recognised in capital reserves will be transferred to share premium. When shares are cancelled during the vesting period, it is treated as an acceleration of vesting and the Group immediately recognises the remaining amount that it otherwise would have recognised for services over the remaining vesting period.

2.22 Revenue recognition

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

(a) Revenue from vaccine products and other goods are recognised 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.

(b) Research and technology services

Control of the research and technology services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

2.23 Variable consideration

For vaccine sales contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

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

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

2.24 Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

For a sale of products with a right of return for dissimilar products, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled. Therefore, revenue would not be recognised for the products expected to be returned

(b) a refund liability; and

(c) an asset and corresponding adjustment to cost of sales for its right to recover products from customers and are presented as right to returned goods.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be receive and the Group will comply with all attached conditions.

Where the grants relates to an expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed. Where the grants relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset on straight-line basis.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

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

2.26 Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Except for the short-term leases, leases are recognised 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.

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Contracts may contain both lease and non-lease components. The Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

2.26 Leases (Continued)

Lease payments are allocated between principal 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.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

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

2.27 Provisions

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

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

2.28 Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Control over CanSino SPH

Note 45.1 describes that CanSino SPH is a subsidiary of the Group although the Group has only 49.8% ownership interest in CanSino SPH as of 31 December 2023.

The directors of the Company assessed whether the Group has control over CanSino SPH based on the Group's practical ability to direct the relevant activities of CanSino SPH unilaterally. In making the judgement, the directors of the Company considered the Group's voting power in CanSino SPH. As disclosed in Note 45.1, the Company entered into a concert party agreement with the investment fund, pursuant to which the investment fund delegated its voting power over CanSino SPH to the Company on matters related to directing the relevant activities of CanSino SPH, resulting the Company having over 50% voting power over CanSino SPH. After the assessment, the directors of the Company concluded that the Group has sufficiently dominant voting power to direct the relevant activities of CanSino SPH and therefore the Group has control over CanSino SPH.

Key source of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventory provision

The Group assesses periodically if cost of inventories may not be fully recoverable based on an assessment of the net realizable value of inventories. Inventories are usually written down to net realizable value when the cost of inventories may not be fully recoverable. This may be the case when those inventories are damaged, have become wholly or partially obsolete, or their selling prices have declined. The Group's inventories compose of vaccine products, as well as the related raw materials and work in progress. In estimating the net realizable value of inventories, the Group takes into account the expire dates of the inventories and the estimation on future demand for the vaccine products to reflect the best estimation of the net realizable value of inventories as at 31 December 2023. When preparing the forecast of future demand for vaccine products, the Group makes reference to the current relevant vaccination policies, estimates the expected vaccination of population from different categories, and considers possible technological iterations and future uncertainties of the relevant demand. The abovesaid assumptions involves management estimates and judgements, and also with uncertainty. Changing the assumptions and estimates, could affect the net realizable value and a reversal or further recognition of write-down may arise and be recognized in profit or loss of future periods.

As at 31 December 2023, the gross amounts of inventories were approximately RMB1,024,027,000 (31 December 2022: RMB1,343,301,000), net of write down of inventories of approximately RMB673,372,000 (31 December 2022: RMB665,524,000).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key source of estimation uncertainty (Continued)

Deferred tax assets

During the ordinary course of business, there are certain transactions and activities for which the final tax treatment is uncertain. The Group is required to exercise significant judgment in the provision of income tax expense. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax, deferred income tax in the period during which such a determination is made.

As at 31 December 2023, deferred tax assets of RMB207,861,000 (31 December 2022: RMB196,410,000) has been recognised in the consolidated statement of financial position. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits and taxable temporary differences generated are less or more than expected, or changes in facts and circumstances which result in revision of future taxable profits and taxable temporary differences estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place. No deferred tax asset has been recognised on the tax losses and temporary differences of the subsidiaries due to the unpredictability of future profit streams as disclosed in Note 18. Based on the Company's forecast of future earnings, a deferred tax asset is recognised for deductible temporary differences, unused tax losses and tax credits carried forward, to the extent that it is probable that future taxable profits will be available.

Fair value measurement of unlisted equity instrument investment and unlisted fund investment

As at 31 December 2023, the Group's unlisted equity investment and unlisted fund investment amounting to RMB116,145,000 (31 December 2022: RMB46,865,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. Details of the fair value measurement of these investments were set out in Note 44.3.

Estimation of refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers arising from the rights granted by the Group to the customers to return some or all the goods purchased. At the end of each reporting period, the Group estimates the future sales return of the goods sold and a corresponding adjustment to revenue is recognised for those products expected to be returned. The estimation of sales return requires the use of judgment and estimates. Where the actual return rate is different from the original estimate, such difference will be trued up in subsequent periods. As at 31 December 2023, the Group recognised a refund liability of approximately RMB112,759,000 (31 December 2022: RMB253,889,000).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key source of estimation uncertainty (Continued)

Impairment on intangible assets and property, plant and equipment

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests for impairment for intangible assets and property, plant and equipment whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use. The use of estimates are required in these calculations. Changing the assumptions and estimates, including the fair value, costs of disposal, expected cash flow, discount rate and other key parameters could materially affect the recoverable amounts. As at 31 December 2023, the carrying amount of intangible assets was RMB111,841,000 (31 December 2022: RMB162,622,000), after taking into account the impairment allowance of approximately RMB36,864,000 (31 December 2022: nil). The carrying amount of property, plant and equipment was RMB2,838,342,000 (31 December 2022: RMB2,858,592,000), after taking into account the impairment allowance of approximately RMB325,639,000 (31 December 2022: nil).

Provisions for firm purchase commitments and impairment on prepayments

The Group estimates the provisions for firm purchase commitments and impairment on prepayments when the demand of the original purchase decreases and the Group plans to reduce or cancel the purchase with firm commitments or prepayments, and a corresponding provision is recognised in the profit or loss. The estimation of provisions for firm purchase commitments and impairment on prepayments requires the use of judgment and estimates. Where the actual compensation and impairment are different from the original estimate, such difference will be trued up in subsequent periods. As at 31 December 2023, the Group recognised a provisions of approximately RMB26,245,000 for the potential reduction or cancellation on firm purchase commitments (31 December 2022: nil). As at 31 December 2023, the carrying amount of prepayments was RMB228,409,000 (31 December 2022: RMB255,840,000), after taking into account the impairment allowance of approximately RMB34,760,000 (31 December 2022: nil).

4. SEGMENT

The operating segments have been determined based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in the research and development, manufacture and commercialisation of vaccine products for human use. Management reviews the operating results of the business as a whole to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC. The Group's revenue were primarily derived in the PRC based on the location of the operations. Details are set out in Note 5.

As at 31 December 2023 and 2022, the Group's non-current assets were mainly located in Mainland China and Hong Kong.

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Customer A	**35,778**	N/A*
Customer B	**N/A***	218,283
	35,778	218,283

* The corresponding revenue did not contribute over 17% of the total revenue of the Group.

5. REVENUE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Sales of vaccine products – at a point in time	**345,182**	1,031,041

Information about the geographical markets of the Group's revenue is presented based on the locations of the customers.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Geographical markets		
China	**342,026**	812,758
Overseas	**3,156**	218,283
	345,182	1,031,041

5. REVENUE (CONTINUED)

The Group recognised the following contract liabilities related to contracts with customers:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Contract liabilities – research and technical services	**2,403**	420
Contract liabilities – vaccine products	**1,164**	1,060
	3,567	1,480

The following is an analysis of the Group's revenue from its major products:

Revenue from the sales of vaccine products is recognised when control of the vaccine and relevant products has transferred, being when the goods have been shipped to the specific location and accepted by customers, or the Group has objective evidence that all criteria for acceptance have been satisfied.

At the point of sale, a corresponding adjustment to revenue is made for those products expected to be returned. The Group estimates the future sales return of the products sold based on the historical experience. A refund liability is recognised for sales in which revenue has yet to be recognised.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities as of 31 December 2023 amounting to RMB3,567,000 (31 December 2022: RMB1,480,000) is recognised, mainly representing the unfulfilled sales of research and technical services. Revenue of RMB1,480,000 was recognized during the year ended 31 December, 2023 that was included in the contract liabilities at the beginning the year of 2023.

All the contracts that are partially or fully unsatisfied are for periods of one year or less. As the Group applies the practical expedient in HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

As at 1 January 2022, contract liabilities amounted to RMB193,217,000.

6. OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Investment income on structured deposits products	**28,385**	76,502
Investment income on wealth management products	**27,907**	3,932
Investment income on derivative financial assets	**15,691**	15,528
Government grants (a)	**115,604**	57,238
Net (losses) income on sales of raw materials	**(247)**	2,367
Others	**9,953**	1,370
	197,293	156,937

Note:

(a) Government grants mainly represented subsidy income received from various government organisations to support the operation, research and development activities and construction of assets of the Group.

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**201,026**	174,879
Depreciation of right-of-use assets	**26,070**	25,461
Amortization of intangible assets	**44,380**	29,622
Short-term leases	**10,641**	9,826
Employee benefit expenses		
– Wages, salaries and bonuses	**501,054**	479,694
– Social security costs and housing benefits	**115,336**	113,573
– Share-based compensation expenses	**9,543**	10,083
– Others	**81,848**	64,065
Capitalised in the ending balance of inventories	**(93,031)**	(208,979)
Capitalised in the ending balance of constructions in process	**(13,800)**	(118,387)
	883,067	579,837
Auditors' remuneration		
– Audit services	**3,500**	3,600
– Other services	**1,240**	1,939
Impairment losses on inventory and right to returned goods, property, plant and equipment, intangible assets and prepayments included in		
– cost of sales	**967,482**	801,863
– administrative expenses	**3**	–

8. EMPLOYEE BENEFIT EXPENSES

The employees of the Group in the PRC are members of a state-managed pension scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme. The Group contributions to the retirement benefit scheme are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

The total expense recognised in profit or loss of RMB50,998,000 (2022: RMB49,984,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2023, contributions of RMB8,232,000 (2022: RMB9,398,000) due in respect of the year ended had not been paid over to the plans.

8. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Five highest paid individuals

For the year ended 31 December 2023, the five individuals whose emoluments were the highest in the Group include 5 directors (2022: 4), whose emoluments are reflected in the analysis presented in Note 42. The emoluments paid or payable to the remaining individuals were as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries	**–**	2,472
Discretionary bonuses	**–**	2,390
Retirement benefit scheme contributions	**–**	41
Others	**–**	34
	–	4,937

The five highest paid individuals fell within the following bands:

	Year ended 31 December	
	2023	2022
	No. of employees	No. of employees
Emolument bands		
HK$4,000,001 – HK$4,500,000	**3**	–
HK$4,500,001 – HK$5,000,000	**1**	–
HK$5,000,001 – HK$5,500,000	**1**	–
HK$5,500,001 – HK$6,000,000	**–**	4
HK$6,000,001 – HK$6,500,000	**–**	1
	5	5

During the year ended 31 December 2023, no emoluments have been paid to the five highest individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2022: nil).

9. OTHER LOSSES, NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Net fair value loss on financial assets at fair value through profit or loss	**(13,582)**	(4,063)
Losses on disposal of property, plant and equipment	**(513)**	(254)
Net fair value loss on financial liabilities at fair value through profit or loss	**(973)**	–
Provision for compensation for the cancellation of firm purchase commitments	**(42,363)**	–
Others	**638**	(3,041)
	(56,793)	(7,358)

10. FINANCE INCOME OR GAINS – NET

	Year ended 31 December 2023 RMB'000	2022 RMB'000
Finance income or gains		
Foreign exchange gains	**20,584**	160,643
Interest income on deposits	**100,057**	65,928
	120,641	226,571
Finance costs or losses		
Interest expenses for lease liabilities	**(11,601)**	(12,353)
Interest expenses on bank borrowings	**(61,936)**	(48,853)
Less: borrowing costs capitalised in qualifying assets	**9,392**	19,865
	(64,145)	(41,341)
Bank charges	**(198)**	(489)
	(64,343)	(41,830)
Finance income or gains – net	**56,298**	184,741

11. INCOME TAX CREDIT

	Year ended 31 December 2023 RMB'000	2022 RMB'000
Current income tax expense-PRC Enterprise Income Tax	**–**	–
Deferred income tax expense (Note 18)	**(11,451)**	(196,967)
Over provision in respect of prior years	**–**	(22,277)
	(11,451)	(219,244)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	Year ended 31 December 2023 RMB'000	2022 RMB'000
Loss before income tax	**(1,978,884)**	(1,184,001)
Tax expense calculated at statutory tax rate of 25%	**(494,721)**	(296,000)
Impact of applying preferential tax rate	**7,623**	131,323
Tax loss and temporary differences not recognised as deferred tax assets	**609,636**	180,453
Tax effect of expenses not deductible for taxation purposes	**5,414**	3,455
Over provision in respect of prior years	**–**	(22,277)
Utilisation of tax losses and deductible temporary differences previously not recognised	**–**	(49,188)
Extra deduction of research and development expenses	**(139,403)**	(167,010)
Income tax expense	**(11,451)**	(219,244)

Under the Law of the PRC Enterprise Income Tax (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the Company and its PRC subsidiaries is 25% for both years.

On 24 November 2016, the "Certificate of New Hi-tech Enterprise" was granted to the Company and renewed on 28 November 2019 and 19 December 2022 with a valid period of 3 years, and the Company becomes eligible for a corporate income tax rate of 15% for the year ended 31 December 2023 (2022: 15%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding.

	Year ended 31 December	
	2023	2022
Loss for the year attribute to owners of the Company (in RMB'000)	**(1,482,732)**	(909,431)
Weighted average number of ordinary shares in issue (in '000)	**246,766**	247,022
Basic loss per share (in RMB)	**(6.01)**	(3.68)

The computation of the basic and diluted earnings per share for the year ended 31 December 2023 is based on weighted average number of shares which excluded the treasury shares held by the Company.

(b) Diluted loss per share

The Group incurred loss for the current year. Therefore, the effect of restricted shares issued under 2023 Stock Ownership Plan 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 year ended 31 December 2023 is same with basic loss per share.

Diluted earnings per share for the year ended 31 December 2022 did not assume the issuance of restricted shares under 2021 Employee Share Plan as described in Note 28(a) since the performance conditions of 2021 Employee Share Plan has not been satisfied as at 31 December 2022.

13. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2023.

On 29 June 2022, the 2021 profit distribution plan ("**2021 Profit Distribution Plan**") of the Company was approved at the 2021 annual general meeting. Pursuant to the 2021 Profit Distribution Plan, a final dividend of RMB0.80 per share (inclusive of tax) based on the record date numbers of shares 246,949,899 for determining the shareholders' entitlement to 2021 Profit Distribution Plan was declared to both holders of A Shares and H Shares. The aggregated dividends for the year ended 31 December 2022 were amounted to RMB197,560,000.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Equipment and instruments RMB'000	Motor vehicles RMB'000	Office Equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
As at 31 December 2021							
Cost	724,676	–	483,368	3,767	50,617	820,798	2,083,226
Accumulated depreciation	(24,903)	–	(74,678)	(841)	(9,075)	–	(109,497)
Net book value	699,773	–	408,690	2,926	41,542	820,798	1,973,729
Year ended 31 December 2022							
Opening net book value	699,773	–	408,690	2,926	41,542	820,798	1,973,729
Additions	–	–	146,036	531	12,635	912,007	1,071,209
Disposals	–	–	(231)	–	(23)	–	(254)
Transfer upon completion	14,273	21,279	349,449	–	5,835	(390,836)	–
Other Adjustments	(9,922)	–	(1,291)	–	–	–	(11,213)
Depreciation	(47,798)	(7,139)	(108,356)	(864)	(10,722)	–	(174,879)
Closing net book value	656,326	14,140	794,297	2,593	49,267	1,341,969	2,858,592
As at 31 December 2022							
Cost	729,027	21,279	976,750	4,298	68,929	1,341,969	3,142,252
Accumulated depreciation	(72,701)	(7,139)	(182,453)	(1,705)	(19,662)	–	(283,660)
Net book value	656,326	14,140	794,297	2,593	49,267	1,341,969	2,858,592
Year ended 31 December 2023							
Opening net book value	**656,326**	**14,140**	**794,297**	**2,593**	**49,267**	**1,341,969**	**2,858,592**
Additions	**–**	**–**	**35,667**	**519**	**4,409**	**466,647**	**507,242**
Disposals	**–**	**(487)**	**(325)**	**(14)**	**(1)**	**–**	**(827)**
Transfer upon completion	**249,860**	**19,060**	**276,409**	**–**	**110**	**(545,439)**	**–**
Depreciation	**(51,441)**	**(5,812)**	**(131,062)**	**(904)**	**(11,807)**	**–**	**(201,026)**
Impairment loss recognised In profit or loss	**–**	**–**	**(167,262)**	**–**	**(8,798)**	**(149,579)**	**(325,639)**
Closing net book value	**854,745**	**26,901**	**807,724**	**2,194**	**33,180**	**1,113,598**	**2,838,342**
As at 31 December 2023							
Cost	**978,887**	**39,013**	**1,287,217**	**4,546**	**73,419**	**1,263,177**	**3,646,259**
Accumulated depreciation	**(124,142)**	**(12,112)**	**(312,231)**	**(2,352)**	**(31,441)**	**–**	**(482,278)**
Impairment	**–**	**–**	**(167,262)**	**–**	**(8,798)**	**(149,579)**	**(325,639)**
Net book value	**854,745**	**26,901**	**807,724**	**2,194**	**33,180**	**1,113,598**	**2,838,342**

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year ended 31 December 2023, the Group has capitalised borrowing costs amounting to RMB9,392,000 on qualifying assets (2022: RMB19,865,000) (Note 10). Borrowing costs were capitalised at the weighted average of its borrowings rate of 3.100 % during the year (2022: 4.442%).

Certain property, plant and equipment of the Group have been pledged as collateral under the Group's borrowing arrangements. The carrying amount of property, plant and equipment pledged as collateral were RMB166,890,000 as at 31 December 2023 (31 December 2022: RMB168,896,000).

As at 31 December 2023 and 2022, the Group has obtained the property ownership certificate for all properties.

Depreciation were charged in the following categories:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Manufacturing costs	**130,281**	103,974
Research and development expenses	**50,368**	34,155
Administrative expenses	**20,376**	18,750
Construction in progress	**1**	18,000
Total	**201,026**	174,879

Impairment assessment

CanSino SPH has temporarily ceased production activities since April 2023 and its relevant property, plant and equipment were idle. The management of the Group concluded there was indication for impairment and conducted impairment assessment on certain property, plant and equipment with carrying amounts of RMB816,173,000. The recoverable amount of these property, plant and equipment are estimated individually.

The recoverable amounts of these property, plant and equipment have been determined based on their fair value less costs of disposal. The Group uses replacement cost method and consider the expected cost of disposal to estimate the fair value less costs of disposal of the assets. The fair value measurement is categorised into Level 3 fair value hierarchy. The relevant assets were impaired to their recoverable amount if their carrying values were higher than the recoverable amounts when the impairment assessment was performed and the impairment of RMB325,639,000 has been recognised in profit or loss within the relevant functions to which these assets relate during the year.

15. RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Office premises RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
As at 31 December 2021					
Cost	102,329	255,348	1,387	566	359,630
Accumulated depreciation	(3,814)	(11,918)	(488)	(319)	(16,539)
Net book value	98,515	243,430	899	247	343,091
Year ended 31 December 2022					
Opening net book value	98,515	243,430	899	247	343,091
Addition	–	3,434	423	–	3,857
Disposal	–	(818)	–	–	(818)
Depreciation	(2,398)	(22,447)	(512)	(104)	(25,461)
Closing net book value	96,117	223,599	810	143	320,669
As at 31 December 2022					
Cost	102,329	257,380	1,810	480	361,999
Accumulated depreciation	(6,212)	(33,781)	(1,000)	(337)	(41,330)
Net book value	96,117	223,599	810	143	320,669
Year ended 31 December 2023					
Opening net book value	**96,117**	**223,599**	**810**	**143**	**320,669**
Addition	**–**	**889**	**756**	**–**	**1,645**
Disposal	**–**	**(432)**	**–**	**–**	**(432)**
Depreciation	**(2,311)**	**(22,966)**	**(705)**	**(88)**	**(26,070)**
Closing net book value	**93,806**	**201,090**	**861**	**55**	**295,812**
As at 31 December 2023					
Cost	**102,329**	**256,994**	**1,966**	**368**	**361,657**
Accumulated depreciation	**(8,523)**	**(55,904)**	**(1,105)**	**(313)**	**(65,845)**
Net book value	**93,806**	**201,090**	**861**	**55**	**295,812**

15. RIGHT-OF-USE ASSETS (CONTINUED)

Depreciation were charged in the following categories:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Manufacturing costs	**13,746**	249
Administrative expenses	**8,316**	9,348
Construction in progress	**2,421**	14,941
Research and development expenses	**1,587**	923
Total	**26,070**	25,461

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Additions to right-of-use assets	**1,645**	3,857
Expense relating to short-term leases	**11,952**	14,835
Including: Employee benefit	**1,311**	5,009
Other short-term leases	**10,641**	9,826
Total cash outflow for leases (note)	**43,653**	49,787

Note: Amount includes payments of principal and interest portion of lease liabilities, short-term leases and payments of lease payments on or before lease commencement date (including leasehold land). These amounts could be presented in operating, investing or financing cash flows.

For both years, the Group leases various offices, office equipment and motor vehicles for its operations. Lease contracts are entered into for fixed term of 18 months to 239 months (2022: 24 months to 239 months). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for warehouse, staff housing, motor vehicles and printer. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

As at 31 December 2023 and 2022, the Group has no land use rights have been pledged as collateral under the Group's borrowing arrangements.

In addition, lease liabilities of RMB239,816,000 are recognised with related right-of-use assets of RMB202,006,000 as at 31 December 2023 (2022: lease liabilities of RMB247,045,000 are recognised with related right-of-use assets of RMB224,552,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Except for land use rights, leased assets may not be used as security for borrowing purposes.

15. RIGHT-OF-USE ASSETS (CONTINUED)

Leases committed

As at 31 December 2023 and 2022, the Group had no new leases contracts signed that had not yet commenced.

16. INTANGIBLE ASSETS

	Capitalised product development costs RMB'000	Computer software RMB'000	Non-proprietary technologies RMB'000	Total RMB'000
As at 31 December 2021				
Cost	26,190	19,373	66,134	111,697
Accumulated amortisation	–	(1,822)	(10,085)	(11,907)
Net book value	26,190	17,551	56,049	99,790
Year ended 31 December 2022				
Opening net book value	26,190	17,551	56,049	99,790
Additions	11,625	28,854	51,975	92,454
Amortisation	–	(11,018)	(18,604)	(29,622)
Closing net book value	37,815	35,387	89,420	162,622
As at 31 December 2022				
Cost	37,815	48,227	118,109	204,151
Accumulated amortisation	–	(12,840)	(28,689)	(41,529)
Net book value	37,815	35,387	89,420	162,622
Year ended 31 December 2023				
Opening net book value	**37,815**	**35,387**	**89,420**	**162,622**
Additions	**23,684**	**6,445**	**334**	**30,463**
Amortisation	**–**	**(20,055)**	**(24,325)**	**(44,380)**
Impairment loss recognised In profit or loss	**–**	**–**	**(36,864)**	**(36,864)**
Closing net book value	**61,499**	**21,777**	**28,565**	**111,841**
As at 31 December 2023				
Cost	**61,499**	**54,672**	**118,443**	**234,614**
Accumulated amortisation	**–**	**(32,895)**	**(53,014)**	**(85,909)**
Impairment	**–**	**–**	**(36,864)**	**(36,864)**
Net book value	**61,499**	**21,777**	**28,565**	**111,841**

16. INTANGIBLE ASSETS (CONTINUED)

Amortisation were charged in the following categories:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Research and development expenses	**17,647**	11,867
Manufacturing costs	**13,405**	9,656
Administrative expenses	**13,300**	7,438
Selling expenses	**28**	–
Construction in progress	**–**	661
Total	**44,380**	29,622

Impairment assessment

In November 2021, CanSino (Shanghai) Biotechnology Co., Ltd., a subsidiary of the Group, entered into a licensing agreement with an independent third party to license in a technology which is used in an existing research and development project of the Group, and capitalized it into intangible assets in accordance with the progress of milestone payments. As of December 31, 2023, the carrying value of this asset was RMB35,840,000. Considering the significant changes in the market environment of COVID-19 in 2023, the management of the Group concluded that there was indication for impairment and an impairment of RMB35,840,000 was recognised on this proprietary technology since it was not expected to generate economic benefits for the Group in the future.

17. INVESTMENTS IN ASSOCIATES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**3,250**	–
Addition (Note)	**13,701**	3,250
Share of post-acquisition profit	**1,217**	–
At the end of the year	**18,168**	3,250

Note: On 25 August 2023, the Group invested Malaysian Ringgit 8,573,000 (equivalent to RMB13,701,000) to purchase 9.09% equity interest in Solution Group Berhad ("**Solution**"), the transaction was completed on 3 October 2023. In accordance with the respective articles of association, the Group has the power to appoint a director and has significant influence over Solution.

17. INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of the Group's associates at the end of the reporting period are as follow:

Name of entity	Country of incorporation/ registration	Proportion of ownership interest held by the Group 2023	2022	Proportion of voting rights held by the Group 2023	2022	Principal activity
天津千汐投資管理合夥企業(有限合夥) TianjinQianxi Investment Management Partnership (Limited Partnership)	China	**32.50%**	32.50%	**32.50%**	32.50%	Investment management
Solution Group Berhad	Malaysia	**9.09%**	–	**9.09%**	–	Technology investment

18. DEFERRED TAX ASSETS AND LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December 2023 RMB'000	2022 RMB'000
Deferred tax assets	**258,699**	254,378
Deferred tax liabilities	**(50,838)**	(57,968)
	207,861	196,410

The movement in deferred income tax assets and liabilities is as follows:

Deferred tax assets	Deferred income RMB'000	Inventory provisions RMB'000	ECL provision RMB'000	Amortization of intangible assets difference RMB'000	Tax losses RMB'000	Refund liabilities RMB'000	Lease liabilities RMB'000	Prepayments provision RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2023	27,258	95,807	1,590	1,043	36,861	38,083	53,736	–	–	254,378
(Charge) credit to profit or loss	(1,770)	4,840	2,257	(1,043)	16,976	(21,169)	(5,223)	7,358	2,095	4,321
As at 31 December 2023	25,488	100,647	3,847	–	53,837	16,914	48,513	7,358	2,095	258,699

18. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The movement in deferred income tax assets and liabilities is as follows: (Continued)

Deferred tax assets	Deferred income RMB'000	Inventory provisions RMB'000	ECL provision RMB'000	Amortization of intangible assets difference RMB'000	Tax losses RMB'000	Refund liabilities	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2022	3,822	236	274	161	80	–	–	4,573
Adjustments (Note 2.1)	–	–	–	–	–	–	57,965	57,965
As at 1 January 2022 (restated)	3,822	236	274	161	80	–	57,965	62,538
(Charge) credit to profit or loss	23,436	95,571	1,316	882	36,781	38,083	(4,229)	191,840
As at 31 December 2022 (restated)	27,258	95,807	1,590	1,043	36,861	38,083	53,736	254,378

Deferred tax liabilities	**Right-of-use assets RMB'000**	**Fair value adjustment of derivative instruments RMB'000**	**Fair value adjustment of financial assets at fair value through profit or loss RMB'000**	**Fair value adjustment of equity investment**	**Tax effect of unrealized inter-group transaction loss RMB'000**	**Total RMB'000**
As at 1 January 2023	**(53,602)**	**–**	**(320)**	**(4,030)**	**(16)**	**(57,968)**
Credit (charge) to profit or loss	**5,110**	**(194)**	**(910)**	**3,108**	**16**	**7,130**
As at 31 December 2023	**(48,492)**	**(194)**	**(1,230)**	**(922)**	**–**	**(50,838)**

Deferred tax liabilities	Right-of-use assets RMB'000	Fair value adjustment of derivative instruments RMB'000	Fair value adjustment of financial assets at fair value through profit or loss RMB'000	Fair value adjustment of equity investment RMB'000	Tax effect of unrealized inter-group transaction loss RMB'000	Total RMB'000
As at 1 January 2022	(168)	(38)	(1,127)	(3,797)	–	(5,130)
Adjustments (Note 2.1)	(57,965)	–	–	–	–	(57,965)
As at 1 January 2022 (restated)	(58,133)	(38)	(1,127)	(3,797)	–	(63,095)
Credit (charge) to profit or loss	4,531	38	807	(233)	(16)	5,127
As at 31 December 2022 (restated)	(53,602)	–	(320)	(4,030)	(16)	(57,968)

18. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(a) Deferred tax assets not recognised

The Group has not recognised any deferred tax assets in respect of the following items:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Deductible temporary differences	**616,115**	638,602
Deductible losses	**2,237,723**	171,542
Total	**2,853,838**	810,144

As at 31 December 2023, the Group has carryforward unused tax losses of RMB2,596,168,000 (31 December 2022: RMB417,054,000) available for offset against future profits. A deferred tax asset of RMB53,837,000 (31 December 2022: RMB36,861,000) in respect of tax losses of RMB358,445,000 (31 December 2022: RMB245,512,000) has been recognised. No deferred tax assets has been recognised in respect of tax losses of RMB2,237,723,000 of the Group (31 December 2022: tax losses of RMB171,542,000 of the Group), as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

As at 31 December 2023, the Group has deductible temporary differences of RMB1,860,759,000 (31 December 2022: RMB1,731,755,000). RMB204,862,000 deferred tax asset (31 December 2022: RMB163,973,000) in respect of deductible temporary differences of RMB1,244,644,000 (31 December 2022: RMB1,093,153,000) has been recognised. No deferred tax asset has been recognised in respect of deductible temporary differences of RMB616,115,000 (31 December 2022: RMB638,602,000), as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(b) Deductible losses that are not recognised as deferred tax assets will be expired as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
2025	**3**	3
2026	**75,344**	54,594
2027	**160,752**	116,945
2028	**480,523**	–
2032	**185,053**	–
2033	**1,336,048**	–
	2,237,723	171,542

19. INVENTORIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Raw materials and consumable materials	**617,463**	716,126
Work in progress	**251,878**	345,060
Finished goods	**212,109**	281,650
Goods shipped in transit	**–**	465
	1,081,450	1,343,301
Less: allowance	**(730,795)**	(665,524)
	350,655	677,777

During the reporting period, due to the slow moving of certain raw materials, work in progress and finished goods, the Group accrued a provision of RMB472,825,000 of those inventories that were not expected to be used or sold within the useful life with reference to historical usage and future usage and selling plans.

During the reporting period, as certain inventories were scrapped, the Group write off the inventory provision of RMB464,978,000.

20. CONTRACT COSTS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Costs to fulfil contracts	**2,192**	–

21. TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables from contracts with customers	**662,529**	866,091
Less: expected credit losses	**(25,647)**	(10,601)
	636,882	855,490

The Group allows an average credit period of 90 to 270 days to its trade customers after the timing of invoicing agreed in corresponding contracts is reached.

21. TRADE RECEIVABLES (CONTINUED)

(a) Trade receivables by ageing analysis

As at 31 December 2023 and 2022, the ageing analysis of trade receivables presented based on the revenue recognition date of the Group is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
1-180 days	**358,744**	665,254
181-365 days	**114,610**	185,304
1-2 years	**162,209**	4,932
Over 2 years	**1,319**	–
	636,882	855,490

22. OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Prepayments to suppliers of intangible assets and property, plant and equipment (a)	**179,863**	134,955
Prepayments to suppliers of raw materials and services (b)	**48,546**	120,885
Value added tax recoverable	**57,924**	114,350
Right to returned goods (c)	**–**	–
Others	**11,129**	9,087
	297,462	379,277
Less: non-current portion (d)	**(237,529)**	(150,367)
Current portion	**59,933**	228,910

Note:

(a) The prepayments to suppliers of intangible assets and property, plant and equipment are net of a write-down of approximately RMB153,000 as at 31 December, 2023 (31 December 2022: Nil).

(b) The prepayments to suppliers of raw materials and services are net of a write-down of approximately RMB34,607,000 as at 31 December, 2023 (31 December 2022: Nil).

(c) The right to returned goods are net of a write-down of approximately RMB40,926,000 as at 31 December, 2023 (31 December 2022: RMB64,677,000).

(d) The non-current portion of other receivables and prepayments as at 31 December 2023 and 2022 mainly includes prepayments to suppliers of intangible assets, property, plant and equipment, value added tax recoverable and rental deposits.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Structured deposits	**564,813**	1,776,958
Wealth management products	**689,934**	705,099
Unlisted fund investment (a)	**89,998**	–
Certificates of deposit held for trading	**53,528**	–
Unlisted equity investment (a)	**32,147**	46,865
Derivative financial assets	**1,295**	–
	1,431,715	2,528,922
Less: non-current portion (a)	**(122,145)**	(46,865)
Current portion	**1,309,570**	2,482,057

Note:

(a) On 22 April 2023, the Group invested in a private fund, Yuanxi Haihe (Tianjin) Biomedical Industry Fund ("**Yuanxi Haihe**"). As at 31 December 2023, the Group has invested RMB91,000,000 in this fund. The Group has no guaranteed income, exit guarantee, or obligation to other investors.

On 5 August 2020, the proposal for purchase of 1.43% equity interest in Thousand Oaks Biopharmaceuticals Co., Ltd. was approved by the board of directors, relevant industrial and commercial change registration was completed on 30 September 2020. As at 31 December 2023, the Group has 0.98% equity interest in Thousand Oaks Biopharmaceuticals Co., Ltd.

On 12 January 2023, the Group invested RMB5,000,000 in Bio-Link Biological Applied Technologies (Shanghai) Co., Ltd. (" **Bio-Link**"), the business registration was completed on 20 February 2023.

With no control, joint control or significant influence by the Group, the investments are recognised as financial assets at fair value through profit or loss. As the Group expects to hold the equity investment for a period more than one year, the investments are classified as non-current assets as at 31 December 2023.

24. TERM DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Term deposits		
– USD deposits	**567,752**	69,583
– RMB deposits (b)	**472,500**	–
	1,040,252	69,583
Accrued interest	**29,388**	327
	1,069,640	69,910
Less: non-current portion (a)	**(306,243)**	–
Current portion (b)	**763,397**	69,910

Notes:

(a) Term deposits held by the Group as at 31 December 2023 bear 3.30% interests per annum with a duration of 3 years.

(b) Term deposits held by the Group as at 31 December 2023 bear interests ranged from 2.32% to 5.80% per annum with a duration of 3-12 months (31 December 2022: Term deposits held by the Group bear 5.28% interests per annum with a duration of 3-12 months).

25. BANK BALANCES AND CASH

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Cash on hand	**10**	–
Cash at banks (a)		
– RMB deposits	**1,668,022**	2,063,056
– USD deposits	**364,440**	1,315,000
– HKD deposits	**12,671**	12,491
– CHF deposits	**937**	672
– CAD deposits	**19**	49
	2,046,099	3,391,268
Accrued interest	**899**	3,556
	2,046,998	3,394,824

Note:

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates. The Group's balances of cash at banks which are mainly denominated in RMB are deposited with banks in the PRC. The conversion of these RMB-denominated balances into foreign currencies and the remittance of funds out of the Mainland China are subject to the rules and regulations of foreign exchange control promulgated by the Government of the PRC.

26. RESTRICTED BANK DEPOSITS

Restricted bank deposits amounting to RMB11,200,000 (31 December 2022: Nil). Deposits amounting to RMB200,000 represent deposits pledged to secure derivatives and will be released upon the expiration of derivatives. The remaining deposits amounting to RMB11,000,000 have been restricted due to arbitration.

27. SHARE CAPITAL AND SHARE PREMIUM

Authorised and issued

	Numbers of shares	Nominal value of shares RMB'000
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	247,450	247,450

	Numbers of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at 1 January 2022 and 31 December 2022	247,449,899	247,450	6,537,956	6,785,406
Transfer upon vesting of share-based payments	–	–	56,600	56,600
As at 31 December 2023	247,449,899	247,450	6,594,556	6,842,006

Note:

The Company has not repurchased any shares during the current year (31 December 2022: The Company has repurchased 683,748 shares with a total consideration amounted to RMB150,169,000, including the transaction cost of RMB152,000). As of 31 December 2023, 277,650 repurchased shares have been granted at the consideration of RMB16,984,000 under 2023 Stock Ownership Plan, the difference between the consideration received and the repurchase cost of the corresponding shares determined based on weighted average repurchased amounted to RMB43,996,000 have been transferred from treasury shares to capital reserves. Details of these grants are set out in Note 28 (31 December 2022: The repurchased shares has not been granted and was recognised as treasury shares).

28. CAPITAL RESERVES

	Other reserves RMB'000	Share-based compensation reserves RMB'000 (Note)	Total RMB'000
Balance at 1 January 2022	17,912	42,030	59,942
– Share-based payments	–	10,083	10,083
Balance at 31 December 2022	17,912	52,113	70,025
Balance at 1 January 2023	17,912	52,113	70,025
– Share-based payments	–	9,543	9,543
– Transfer upon vesting of share-based payments	–	(56,600)	(56,600)
– Treasury shares granted under 2023 Stock Ownership Plan	–	(43,996)	(43,996)
Balance at 31 December 2023	**17,912**	**(38,940)**	**(21,028)**

Note:

Share-based payment

(a) Share award schemes

2018 Employee Share Plan

Tianjin Qianrui Enterprise Management Partnership (Limited Partnership) (天津千睿企業管理合夥企業(有限合夥)) ("**Tianjin Qianrui**") and Tianjin Qianzhi Enterprise Management Partnership (Limited Partnership) (天津千智企業管理合夥企業(有限合夥)) ("**Tianjin Qianzhi**") were incorporated in Tianjin of the PRC under the Law of the People's Republic of China on Partnerships on 28 May 2018 as vehicles to hold the ordinary shares for the Company's employees under the equity-settled share-based compensation plan of 2018 (the "**2018 Employee Share Plan**").

On 28 May 2018, the Company issued 3,299,475 and 1,207,150 shares of RMB1.00 each to Tianjin Qianrui and Tianjin Qianzhi, respectively, at a price of RMB3.88 per share under the 2018 Employee Share Plan. Under the plan, 42 eligible employees were granted 3,299,475 shares issued to Tianjin Qianrui, of which 52,590 shares were granted to Tao Zhu ("**GP**") and could be vested immediately and the rest 3,246,885 shares were granted to the other 41 eligible employees and could be vested when such eligible employees complete a five-year service period. 3 eligible employees were granted 1,207,150 shares issued to Tianjin Qianzhi, of which 19 shares were granted to GP and could be vested immediately and the remaining 1,207,131 shares were granted to the rest 2 employees. 60% of these 1,207,131 shares could be vested when such eligible employees complete a three-year service period, and the remaining 40% could be vested when such eligible employees complete a five-year service period. Approximately RMB17,486,000 were paid by those employees to Tianjin Qianrui and Tianjin Qianzhi in total on the grant date. If an eligible employee ceases the employment by the Company within this period, the awarded shares will be forfeited.

28. CAPITAL RESERVES (CONTINUED)

Share-based payment (Continued)

(a) Share award schemes (Continued)

2018 Employee Share Plan (Continued)

One eligible employee left the Company in February 2023, 14,000 shares awarded to this employee were forfeited (year ended 31 December 2022:100,000 shares).

As at 31 December 2023, 3,151,360 shares of the granted shares were vested as the eligible employees had completed their five-year service period.

Set out below are details of the movements of the outstanding unvested units granted under 2018 Employee Share Plan throughout the reporting period:

Outstanding at 1 January 2023	**Granted during the year**	**Vested during the year**	**Forfeited during the year**	**Outstanding at 31 December 2023**
3,165,360	**–**	**(3,151,360)**	**(14,000)**	**–**

Outstanding at 1 January 2022	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 31 December 2022
3,265,360	–	–	(100,000)	3,165,360

The Group has applied discounted cash flow method to determine the fair value of the underlying shares of RMB21.84 per share under the 2018 Employee Share Plan on the respective grant dates. Best estimates of key assumptions, such as discount rate and projections of future performance, are required to be determined by management. Key assumptions used in determining the fair value of shares under the 2018 Employee Share Plan are as follows:

	2018 Employee Share Plan
Key assumptions	
Discount rate	17.00%
Risk-free interest rate	2.84%
Liquidity discount	10.00%

28. CAPITAL RESERVES (CONTINUED)

Share-based payment (Continued)

(a) Share award schemes (Continued)

2021 Employee Share Plan

On 10 September 2021, the Group launched the new incentive scheme to grant the restricted A shares of the Company (“**Restricted Shares**”) to the eligible participants (the “**2021 Employee Share Plan**”) and granted an aggregate of 875,330 restricted shares under the incentive scheme to 388 participants and 49,660 restricted shares under the reserve plan to 7 participants at the grant price of RMB209.71 per share on the grant date. The Restricted Shares granted will be attributed in tranches. The attribution period and arrangement for the Restricted Shares are shown in the table below:

Attribution arrangement	Attribution period	Attribution percentage
First attribution tranche	From the first trading day after the expiry of 12 months following the grant date of the Restricted Shares under the first grant to the last trading day within the 24 months following the grant date of the Restricted Shares	50%
Second attribution tranche	From the first trading day after the expiry of 24 months following the grant date of the Restricted Shares under the first grant to the last trading day within the 36 months following the grant date of the Restricted Shares	50%

The participants of 2021 Employee Share Plan are subject to service conditions, company performance conditions and individual performance conditions. Details of these conditions are set out in the circular of the Company dated 21 August 2021.

Due to the failure of meeting the performance condition in 2021 and 2022, all Restricted Shares in the Group’s 2022 Employee Share Plan have been forfeited as of 31 December 2022, and the Group has not recognized the relevant equity incentive expenses during the year ended 31 December 2022.

28. CAPITAL RESERVES (CONTINUED)

Share-based payment (Continued)

(a) Share award schemes (Continued)

2021 Employee Share Plan (Continued)

Set out below are details of the movements of the outstanding Restricted Shares granted under 2021 Employee Share Plan throughout the reporting period:

Outstanding at 1 January 2022	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 31 December 2022 and 2023
454,050	–	–	(454,050)	–

The Group has applied Black-Scholes-Merton option pricing model to determine the fair value of the Restricted Shares of first attribution tranche and second attribution tranche under 2021 Employee Share Plan as RMB132.77 per share and RMB143.59 per share, respectively. Key assumptions used in determining the fair value of Restricted Shares under the 2021 Employee Share Plans used by the management are as follows:

	2021 Employee Share Plan	
Key assumptions	First attribution tranche	Second attribution tranche
Underlying share price (RMB per share)	336.15	336.15
Attribution periods (Month)	12	24
Expected volatility	34.46%	33.46%
Risk-free interest rate	1.50%	2.10%
Dividend ratio	–	–
Liquidity discount	9.3%	9.3%

2023 Stock Ownership Plan

On 27 March 2023, the 2023 A Share Employee Stock Ownership Plan ("2023 Stock Ownership Plan ") of the Company has been proposed by the board of directors of the Company for the purpose to improve the Company's incentive mechanism. On 20 April 2023, the implementation of the 2023 Stock Ownership Plan has been approved at the 2023 first extraordinary general meeting.

On 8 May 2023, 277,650 shares were subscribed by 217 eligible employees, representing approximately 0.11% of the total share capital of the Company. A total consideration of RMB16,984,000 were received by the Company under 2023 Stock Ownership Plan with the purchase price of RMB61.17 per share. All the shares issued were the treasury shares repurchased by the Company since 2022.

28. CAPITAL RESERVES (CONTINUED)

Share-based payment (Continued)

(a) Share award schemes (Continued)

2023 Stock Ownership Plan (Continued)

These granted treasury shares have vesting periods of one or two years. 50% of the restricted shares will be vested on the first anniversary of the treasury shares registration date and the remaining 50% of the restricted shares will be vested on the second anniversary of the treasury shares registration date. In addition to the service conditions, the 2023 Stock Ownership Plan also specified certain performance conditions to the employees. Details of these conditions are set out in the circular of the Company dated 27 March 2023.

As at 31 December 2023, 24 eligible employees left the Company, 3,020 shares awarded to these employees were forfeited and 19,390 shares awarded to these employees were cancelled. The share-based payment expenses of shares cancelled are accelerated and recognised immediately that would otherwise have been recognised over the remainder of the vesting period.

Set out below are details of the movements of the outstanding unvested units granted under 2023 Stock Ownership Plan throughout the reporting period:

The fair value of the restricted shares was determined based on the difference between the grant date quoted price of the Company's A Share and the subscription price of the restricted shares under 2023 Stock Ownership Plan.

Outstanding at 1 January 2023	Granted during the year	Vested during the year	Forfeited during the year	Cancelled during the year	Outstanding at 31 December 2023
–	277,650	–	(3,020)	(19,390)	255,240

(b) Expenses arising from share-based payment transactions

	Year ended 31 December 2023 RMB'000	2022 RMB'000
Share award schemes issued under the Employee Share Plans	**9,543**	10,083

As at 31 December 2023, the accumulated expenses arising from share-based payment transactions amounted to RMB74,664,000 are recognised in the capital reserve (2022: RMB65,121,000) and RMB69,608,000 (31 December 2022: RMB13,008,000) are transferred to share premium upon vesting.

29. BORROWINGS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Borrowings from banks – unsecured	**1,915,168**	2,208,635
Borrowings from banks – secured	**429,008**	242,783
Borrowings from banks – guaranteed	**84,000**	–
Other borrowings – unsecured and unguaranteed	**29,883**	–
Accrued interest	**2,466**	2,167
	2,460,525	2,453,585
Less: current portion	**(1,394,865)**	(1,575,577)
Non-current portion	**1,065,660**	878,008
Analyzed as:		
Fixed interest rate	**521,668**	1,637,074
Variable interest rate	**1,936,391**	814,344
	2,458,059	2,451,418

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Maturity of borrowings		
Less than 1 year	**1,394,865**	1,575,577
Between 1 and 2 years	**256,142**	95,488
Between 2 and 5 years	**394,911**	564,016
Over 5 years	**414,607**	218,504
	2,460,525	2,453,585

The ranges of effective interest rates on the Group's fixed and variable-rate borrowings are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Effective interest rate:		
Fixed rate borrowings	**2.80%-3.40%**	2.20%-3.75%
Variable rate borrowings	**2.20%-3.30%**	2.85%-3.70%

29. BORROWINGS (CONTINUED)

As of 31 December 2023, short term bank borrowings were denominated in RMB used for raw material procurement, domestic and foreign clinical trials and service expenses, bearing interest rate range from 2.50%-3.00%.

As of 31 December 2023, long term bank borrowings were denominated in RMB, and the secured loan was RMB429,008,000 used in the construction of the CanSino (Shanghai) mRNA vaccine R&D and industrialization project and the final payment on the building, which were secured against certain of the Group's property, plant and equipment (Note 14).

As of 31 December 2023, the guaranteed loan, amounted to RMB84,000,000, was guaranteed by Shanghai Lingang Industrial Zone Public Rental Housing Construction and Operation Management Co., Ltd.

As of 31 December 2023, since the Group breached covenants included in certain loan agreements and the relevant banks had the right to request early repayment of these bank borrowings, the Group classified these long term borrowings amounted to RMB310,640,000 as current liabilities.

As of 31 December 2023, CanSino SPH, a subsidiary of the Company borrowed RMB29,883,000 from Shanghai Sunway Biotech Co., Ltd., a shareholder of the subsidiary, bearing interest at rates 3.50% per annum (31 December 2022: Nil).

30. LEASE LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Lease liabilities payable		
Within 1 year	**64,633**	48,758
Between 1 and 2 years	**18,777**	23,464
Between 2 and 5 years	**42,063**	47,413
Over 5 years	**114,343**	127,410
	239,816	247,045
Less: Amount due for settlement within 1 year shown as current liabilities	**(64,633)**	(48,758)
Amount due for settlement after 1 year shown as non-current liabilities	**175,183**	198,287

The weighted average incremental borrowing rates applied to lease liabilities range from 3.780% to 5.212% (31 December 2022: from 4.730% to 5.212%).

31. REFUND LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Refund liabilities		
Sales return	**112,759**	253,889

At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. The Group estimates the future sales return of the goods sold and a corresponding adjustment to revenue is recognised for those products expected to be returned.

32. PROVISIONS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Provisions		
Compensation for the cancellation of firm purchase commitments	**26,245**	–

33. DEFERRED INCOME

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants		
– Asset-related grants (a)	**216,718**	220,650
– Reimbursement for future expenses (b)	**–**	1,705
	216,718	222,355
Less: current portion	**(26,543)**	(17,357)
Non-current portion	**190,175**	204,998

Notes:

(a) The asset-related grants are the subsidies received from the government for the purpose of compensation for purchase of the Group's property, plant and equipment and land use rights.

(b) Government grants as reimbursement for future expenses are subsidies received for compensating the Group's future research and development activities with regards to certain projects.

The amount of government grants that credited to other income is disclosed in Note 6.

34. TRADE PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Procurement amounts due to vendors	**103,970**	220,224
Notes payable	**–**	32,896
	103,970	253,120

Payment terms with suppliers are mainly with average credit term of 60 days (2022: 60 days) from the time when the goods and services are received from the suppliers. The ageing analysis of trade payables presented based on the date of receipt of goods or services is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 1 year	**56,400**	214,084
Between 1 year and 2 years	**47,083**	39,014
Between 2 years and 3 years	**487**	22
	103,970	253,120

The carrying amounts of trade payables are denominated in RMB and approximate their fair values due to short term maturities.

35. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Other payables to suppliers of property, plant and equipment	**320,180**	360,033
Payroll and welfare payable	**166,707**	182,408
Marketing service fee	**116,842**	65,713
Clinical trial and testing fee	**67,302**	89,403
Other service fees	**28,468**	27,564
Accrued taxes other than enterprise income tax	**48,196**	23,719
Considerations received from employees for subscribing restricted A shares of the Company under the 2023 Stock Ownership Plan (Note 28)	**16,984**	–
Consulting fees	**14,237**	16,788
Deposits from suppliers	**13,294**	4,459
Operation and maintenance fees	**3,869**	3,410
Others	**70,702**	18,387
	866,781	791,884
Less: non-current portion	**(8,492)**	–
	858,289	791,884

36. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Derivative financial liabilities	**973**	–

37. CASH USED IN OPERATION

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss before income tax	**(1,978,884)**	(1,184,001)
Adjustments for:		
– Depreciation	**224,673**	167,399
– Amortisation	**44,380**	28,961
– Impairment loss on inventories and right to returned goods	**541,472**	801,863
– Impairment loss on property, plant and equipment	**325,639**	–
– Impairment loss on intangible assets	**36,864**	–
– Impairment loss on prepayments	**63,510**	–
– ECL recognised on trade and other receivables, net of reversal	**15,046**	8,777
– Investment income on structured deposits products and wealth management products	**(56,292)**	(80,434)
– Share of results of associates	**(1,217)**	–
– Losses on disposal of property, plant and equipment	**513**	254
– Gains on disposal of right-of use assets	**(162)**	(64)
– Net fair value loss on financial assets and liabilities at fair value through profit or loss	**14,555**	4,063
– Income from asset related government grants	**(19,273)**	(15,603)
– Finance income-net	**(56,496)**	(183,906)
– Share-based compensation expenses	**9,543**	10,083
Changes in working capital		
– Inventories and rights to return goods	**(214,350)**	(604,019)
– Contract costs	**(2,193)**	–
– Other receivables and prepayments	**84,805**	211,870
– Restricted bank deposits	**(11,200)**	–
– Income tax recoverable	**–**	21,217
– Trade receivables	**203,562**	(706,341)
– Accrued interest	**–**	(1,325)
– Trade payables	**(211,788)**	(526,809)
– Contract liabilities	**2,087**	(191,737)
– Other payables and accruals	**101,396**	34,731
– Income tax payables	**–**	29,144
– Refund liabilities	**(141,130)**	253,889
– Provisions	**26,245**	–
– Deferred income	**5,611**	424
Cash used in operations	**(993,083)**	(1,921,564)

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable RMB'000	Borrowings RMB'000	Lease liabilities RMB'000	Interest payable RMB'000	Considerations received from employees for subscribing restricted A shares of the Company under the 2023 Stock Ownership Plan RMB'000	Total debts RMB'000
At 1 January 2023	**3,628**	**2,388,779**	**224,323**	**24,889**	**–**	**2,641,619**
Financing cash flows	**(3,628)**	**69,280**	**(20,100)**	**(70,118)**	**16,984**	**(7,582)**
New leases entered	**–**	**–**	**1,634**	**–**	**–**	**1,634**
Disposal of right-of use assets	**–**	**–**	**(631)**	**–**	**–**	**(631)**
Interest expenses	**–**	**–**	**–**	**82,284**	**–**	**82,284**
At 31 December 2023	**–**	**2,458,059**	**205,226**	**37,055**	**16,984**	**2,717,324**
At 1 January 2022	–	1,120,127	243,967	10,724	–	1,374,818
Financing cash flows	(193,932)	1,268,652	(22,599)	(47,350)	–	1,004,771
Dividend expenses	197,560	–	–	–	–	197,560
New leases entered	–	–	3,824	–	–	3,824
Disposal of right-of use assets	–	–	(869)	–	–	(869)
Interest expenses	–	–	–	61,515	–	61,515
At 31 December 2022	3,628	2,388,779	224,323	24,889	–	2,641,619

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,735,414	1,489,457
Right-of-use assets	113,901	121,472
Intangible assets	98,368	99,823
Financial assets at fair value through profit or loss	120,146	46,865
Other receivables and prepayments	32,895	63,626
Interests in subsidiaries	913,781	1,465,481
Investments in an associate	2,004	2,000
Deferred tax assets	207,861	196,426
Term deposits with initial term of over three months	306,243	–
Total non-current assets	3,530,613	3,485,150
Current assets		
Inventories	296,742	595,861
Trade receivables	636,882	855,490
Income tax recoverable	–	21,217
Other receivables and prepayments	57,341	371,857
Financial assets at fair value through profit or loss	1,188,743	2,441,929
Term deposits with initial term of over three months	763,397	69,910
Bank balances and cash	1,871,845	2,942,807
Restricted bank deposits	200	–
Total current assets	4,815,150	7,299,071
Total assets	8,345,763	10,784,221

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
EQUITY		
Equity attributable to owners of the Company		
Share capital and share premium	**6,842,006**	6,785,406
Treasury shares	**(106,173)**	(150,169)
Capital reserves	**(21,028)**	70,025
Statutory reserves	**118,389**	118,389
Accumulated (losses) profits	**(1,263,527)**	580,506
Total equity	**5,569,667**	7,404,157
LIABILITIES		
Non-current liabilities		
Borrowings	**552,651**	464,392
Other payables and accruals	**8,492**	–
Lease liabilities	**14,187**	19,265
Deferred income	**154,332**	166,832
Total non-current liabilities	**729,662**	650,489
Current liabilities		
Trade payables	**68,228**	302,616
Contract liabilities	**1,189**	1,480
Other payables and accruals	**645,083**	604,374
Financial liabilities at fair value through profit or loss	**973**	–
Borrowings	**1,184,863**	1,544,961
Lease liabilities	**6,478**	7,367
Provisions	**11,270**	–
Refund liabilities	**112,759**	253,889
Deferred income	**15,591**	14,888
Total current liabilities	**2,046,434**	2,729,575
Total liabilities	**2,776,096**	3,380,064
Total equity and liabilities	**8,345,763**	10,784,221

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

(a) Statement of changes in equity of the Company

	Share capital	Share premium	Treasury shares	Capital reserves	Statutory reserves	Accumulated profits (losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023	**247,450**	**6,537,956**	**(150,169)**	**70,025**	**118,389**	**580,506**	**7,404,157**
Total comprehensive income							
– Loss for the year	–	–	–	–	–	**(1,844,033)**	**(1,844,033)**
Recognition of equity-settled share-based payments (Note 28)	–	–	–	**9,543**	–	–	**9,543**
Transfer upon vesting of share-based payments (Note 27)	–	**56,600**	–	**(56,600)**	–	–	–
Treasury shares granted under 2023 Stock Ownership Plan (Note 27)	–	–	**43,996**	**(43,996)**	–	–	–
Balance at 31 December 2023	**247,450**	**6,594,556**	**(106,173)**	**(21,028)**	**118,389**	**(1,263,527)**	**5,569,667**
Balance at 1 January 2022	247,450	6,537,956	–	59,942	118,389	1,065,498	8,029,235
Total comprehensive income							
– Loss for the year	–	–	–	–	–	(287,432)	(287,432)
Recognition of equity-settled share-based payments	–	–	–	10,083	–	–	10,083
Dividends recognised as distribution (Note 13)	–	–	–	–	–	(197,560)	(197,560)
Repurchase of shares (Note 27)	–	–	(150,169)	–	–	–	(150,169)
Balance at 31 December 2022	247,450	6,537,956	(150,169)	70,025	118,389	580,506	7,404,157

40. COMMITMENTS

(a) Capital commitments

The following is the details of capital expenditure contracted for but not provided in the consolidated financial statements.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	**317,896**	551,182

41. CONTINGENT LIABILITIES

The Company received the notice of a lawsuit in March 2024 from 3ª Vara Civel de Maringa/PR ("**Brazilian Court**") filed by Belcher Farmaceutica Ltda. ("**Belcher**"), claiming Brazilian Real 167 million (equivalent to approximately RMB241 million) in compensation for the related losses, fees, and spiritual damage from the Company following the termination of the authorization to it to negotiate with the Brazilian government about the registration and commercialization of the Company's COVID-19 vaccines in Brazil in 2021. Details of the lawsuit are set out in the announcement of the Company dated 14 March 2024 in relation to the Company's involvement in a lawsuit.

The Company has engaged a professional legal counsel to handle such lawsuit. Based on the current legal advice, the Company has strong defense position and it is less likely that Belcher's claim will be supported by the Brazilian Court. Therefore, the management of the Company is in the view that it is not probable an outflow of economic benefits will be required to settle Belcher's claim. As a result, no provision with respect to this lawsuit was made by the Company as at 31 December 2023. As of the date of the approval of these consolidated financial statements, the Brazilian Court has yet to start hearing of this lawsuit.

42. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

(a) The following companies are related parties of the Group during the year ended 31 December 2023:

Names of the related parties	Nature of relationship
上海三維生物技術有限公司 Shanghai Sunway Biotech Co., Ltd.* ("**Sunway Biotech**")	Non-controlling shareholder of CanSino SPH
上海上藥信誼藥廠有限公司 Shanghai Pharma Sine Pharmaceutical Factory Co., Ltd. *	Note
上海上藥第一生化藥業有限公司 SPH NO.1 Biochemical & Pharmaceutical Co., Ltd. *	Note
上海上藥新亞藥業有限公司 Shanghai SPH New Asia Pharmaceuticals Co., Ltd. *	Note
正大青春寶藥業有限公司 Chiatai Qingchunbao Pharmaceutical Co., Ltd. *	Note
上海中西三維藥業有限公司 Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd. *	Note
杭州胡慶余堂藥業有限公司 Hangzhou Huqing Yutang Pharmaceutical Co., Ltd. *	Note
上海中華藥業有限公司 Shanghai Zhonghua Pharmaceutical Co., Ltd. *	Note
上海醫療器械股份有限公司 Shanghai Medical Instruments Co., Ltd. *	Note
上藥東英(江蘇)藥業有限公司 SPH Dongying (Jiangsu) Pharmaceutical Co., Ltd.*	Note
上海雷允上藥業有限公司 Shanghai Leiyunshang Pharmaceutical Co., Ltd. *	Note
上海市藥材有限公司 Shanghai Traditional Chinese Medicine Co., Ltd. *	Note
上海醫藥廣告有限公司 Shanghai Pharmaceutical Advertising Co. Ltd. *	Note
上海醫藥物流中心有限公司 Shanghai Pharmaceutical Logistics Center Co., Ltd. *	Note
上藥康德樂(上海)醫藥有限公司 SPH KDL Health (Shanghai) Pharmaceutical Co., Ltd. *	Note
上藥控股有限公司 Shanghai Pharmaceutical Co., Ltd. *	Note
上海雷昶科技有限公司 Shanghai Leateck Co., Ltd. *	Entity having director by director of the Company
上海上藥神象健康藥業有限公司 SPH Shenxiang Health Pharmaceutical Co., Ltd. *	Note
上海上藥生物醫藥有限公司 Shanghai Shangyao Biomedical Co., Ltd. *	Note
上海醫藥集團生物治療技術有限公司Shanghai Pharmaceutical Group Biotherapy Technology Co., Ltd. *	Note

42. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The following companies are related parties of the Group during the year ended 31 December 2023: (Continued)

Names of the related parties	Nature of relationship
東富龍科技集團股份有限公司 Tofflon Science and Technology Group Co., Ltd. *.	Entity having director by director of the Company
上海東富龍醫用包裝材料有限公司 Shanghai Tofflon Medical Packaging Material Co., Ltd.*.	Entity having director by director of the Company
上海東富龍愛瑞思科技有限公司 Shanghai Tofflon Airex Science & Technology Co., Ltd. *.	Entity having director by director of the Company

* The English names are for identification purpose only.

Note: Entity controls by the controlling shareholder of Sunway Biotech.

(b) Related party transactions:

(i) Secondment services received by the Group:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	**276**	203
Shanghai Pharmaceutical Logistics Center Co., Ltd.	**22**	363
Shanghai Leiyunshang Pharmaceutical Co., Ltd.	**1**	78
SPH Dongying (Jiangsu) Pharmaceutical Co., Ltd.	**–**	655
Sunway Biotech	**–**	488
Shanghai Pharma Sine Pharmaceutical Factory Co., Ltd.	**–**	348
SPH NO.1 Biochemical & Pharmaceutical Co., Ltd.	**–**	230
Shanghai SPH New Asia Pharmaceuticals Co., Ltd.	**–**	153
Hangzhou Huqing Yutang Pharmaceutical Co., Ltd.	**–**	31
Shanghai Zhonghua Pharmaceutical Co., Ltd.	**–**	3
Total	**299**	2,552

(ii) Warehousing and transportation services received by the Group:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Shanghai Pharmaceutical Logistics Center Co., Ltd.	**2,928**	7,860
SPH KDL Health (Shanghai) Pharmaceutical Co., Ltd.	**1,671**	4,836
Total	**4,599**	12,696

42. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions: (Continued)

(iii) Other services received by the Group:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Shanghai Leateck Co., Ltd.	**2,534**	–
Tofflon Science and Technology Group Co., Ltd.	**1,791**	–
SPH Shenxiang Health Pharmaceutical Co., Ltd.	**127**	38
Shanghai Tofflon Airex Science & Technology Co., Ltd.	**57**	–
Shanghai Tofflon Medical Packaging Material Co., Ltd.	**20**	–
Shanghai Pharmaceutical Co., Ltd.	**–**	81
Shanghai Zhonghua Pharmaceutical Co., Ltd.	**–**	65
Shanghai Medical Instruments Co., Ltd.	**–**	32
Shanghai Traditional Chinese Medicine Co., Ltd.	**–**	30
Shanghai Pharmaceutical Advertising Co. Ltd.	**–**	1
Total	**4,529**	247

(iv) Other services provided by the Group

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Shanghai Shangyao Biomedical Co., Ltd.	**732**	–
Shanghai Pharmaceutical Group Biotherapy Technology Co., Ltd.	**64**	–
Sunway Biotech	**42**	–
Chiatai Qingchunbao Pharmaceutical Co., Ltd.	**–**	92
Total	**838**	92

(c) Related party balances:

(i) Other receivables and prepayments:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Shanghai Leateck Co., Ltd.	**381**	2,964
Shanghai Shangyao Biomedical Co., Ltd.	**194**	–
Tofflon Science and Technology Group Co., Ltd.	**82**	–
Total	**657**	2,964

42. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party balances: (Continued)

(ii) Trade payables:

	As at 31 December 2023 RMB'000	2022 RMB'000
SPH KDL Health (Shanghai) Pharmaceutical Co., Ltd.	**311**	1,972
Tofflon Science and Technology Group Co., Ltd.	**69**	–
Shanghai Pharmaceutical Logistics Center Co., Ltd.	**42**	1,453
Total	**422**	3,425

(iii) Other payables and accruals:

	As at 31 December 2023 RMB'000	2022 RMB'000
Tofflon Science and Technology Group Co., Ltd.	**1,696**	–
SPH KDL Health (Shanghai) Pharmaceutical Co., Ltd.	**144**	–
Shanghai Pharmaceutical Logistics Center Co., Ltd.	**103**	5,357
Shanghai Tofflon Airex Science & Technology Co., Ltd.	**26**	–
SPH Shenxiang Health Pharmaceutical Co., Ltd.	**25**	–
Shanghai Pharmaceutical Co., Ltd.	**–**	81
Total	**1,994**	5,438

(iv) Financing:

Financing arrangement between the Group and its related parties are as follows:

Credit loan

	Balance as at 31/12/2022 RMB'000	Addition RMB'000	Repayment RMB'000	Balance as at 31/12/2023 RMB'000	Annual interest Rate %
Borrowed from:					
Sunway Biotech	–	50,463	(20,580)	29,883	3.50

42. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party balances: (Continued)

(iv) Financing: (Continued)

Financing arrangement between the Group and its related parties are as follows: (Continued)

Interest expenses:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Sunway Biotech	**311**	–
Total	**311**	–

Interest payables:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Sunway Biotech	**311**	–
Total	**311**	–

(d) Key management compensation

Key management includes directors, supervisors and senior management. The compensation paid or payable to key management for employee services and to independent non-executive directors for director services is shown below:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Fees	**1,200**	1,200
Salaries	**17,069**	18,676
Discretionary bonuses	**9,676**	16,618
Share-based compensation expenses (Note 28)	**908**	1,855
Retirement benefit scheme contributions	**318**	427
Others	**459**	569
Total	**29,630**	39,345

43. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors', supervisors' and chief executive's emoluments

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company for the service provided to the Group during the reporting period are as follows:

Name	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based compensation RMB'000	Retirement benefit scheme contributions RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2023							
Name of executive directors							
Xuefeng Yu*	–	2,543	1,377	–	22	23	3,965
Tao Zhu	–	2,543	1,759	–	44	73	4,419
Dongxu Qiu	–	2,416	1,208	–	68	45	3,737
Shoubai Chao	–	2,543	1,377	–	–	7	3,927
Jing Wang	–	2,016	1,835	602	44	71	4,568
Name of non-executive directors							
Liang Lin	–	–	–	–	–	–	–
Nisa Leung	–	–	–	–	–	–	–
Zhi Xiao	–	–	–	–	–	–	–
Name of independent non-executive directors							
Shiu Kwan Danny Wai	300	–	–	–	–	–	300
Zhu Xin	300	–	–	–	–	–	300
Shuifa Gui	300	–	–	–	–	–	300
Jianzhong Liu	300	–	–	–	–	–	300
Name of supervisors							
Zhengfang Liao (i)	–	78	–	13	7	14	112
Zhongqi Shao	–	1,206	551	–	–	7	1,764
Jiangfeng Li	–	–	–	–	–	–	–
Yuan Zhou (ii)	–	641	168	–	37	62	908
	1,200	13,986	8,275	615	222	302	24,600

43. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

Name	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based compensation RMB'000	Retirement benefit scheme contributions RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2022							
Name of executive directors							
Xuefeng Yu*	–	2,472	2,390	–	41	37	4,940
Tao Zhu	–	2,472	2,390	–	41	73	4,976
Dongxu Qiu	–	2,238	2,271	–	58	40	4,607
Shoubai Chao	–	2,472	2,390	–	26	26	4,914
Jing Wang	–	1,960	1,895	1,445	41	71	5,412
Name of non-executive directors							
Liang Lin	–	–	–	–	–	–	–
Nisa Leung	–	–	–	–	–	–	–
Zhi Xiao	–	–	–	–	–	–	–
Name of independent non-executive directors							
Shiu Kwan Danny Wai	300	–	–	–	–	–	300
Zhu Xin	300	–	–	–	–	–	300
Shuifa Gui	300	–	–	–	–	–	300
Jianzhong Liu	300	–	–	–	–	–	300
Name of supervisors							
Zhengfang Liao	–	463	114	50	41	89	757
Zhongqi Shao	–	1,213	564	–	41	34	1,852
Jiangfeng Li	–	–	–	–	–	–	–
	1,200	13,290	12,014	1,495	289	370	28,658

* Chief executive of the Company

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company. The supervisors' emoluments shown above were for their services as employee supervisors of the Company.

Notes:

(i) On 2 March 2023, Ms. Liao Zhengfang ceased to be a supervisor of the Company.

(ii) Started from 3 March 2023, Ms. Zhou Yuan served as a supervisor of the Company.

43. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(b) No directors or supervisors waived or agreed to waive any emoluments. No emoluments were paid to directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) Directors' and supervisors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director or a supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2023 and 2022.

44. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Financial assets at amortised cost		
Bank balances and cash (Note 25)	**2,046,998**	3,394,824
Restricted bank deposits (Note 26)	**11,200**	–
Trade receivables (Note 21)	**636,882**	855,490
Term deposits (Note 24)	**1,069,640**	69,910
Other receivables excluding non-financial assets (Note 22)	**9,992**	9,087
	3,774,712	4,329,311
Financial assets at fair value through profit or loss		
Wealth management products (Note 23)	**689,934**	705,099
Structured deposits (Note 23)	**564,813**	1,776,958
Unlisted fund investment (Note 23)	**89,998**	–
Certificates of deposit held for trading (Note 23)	**53,528**	–
Equity investment (Note 23)	**32,147**	46,865
Derivative financial assets (Note 23)	**1,295**	–
	1,431,715	2,528,922

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Financial liabilities at amortised cost		
Borrowings (Note 29)	**2,460,525**	2,453,585
Trade payables (Note 34)	**103,970**	253,120
Other payables (Note 35)	**651,277**	584,022
	3,215,772	3,290,727
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities (Note 36)	**973**	–

45. FINANCIAL RISK MANAGEMENT

45.1 Financial risk factors

The Group's risk management is carried out by the finance department under policies approved by the board of directors. The department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, other price risk, credit risk and liquidity risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the change in foreign exchange rates. The Group has established foreign currency business management system that includes accounts, settlements and exchange rate risk. The Group conducts various foreign currency businesses in accordance with the requirements of the management system.

The Group have foreign currency sales, purchases and bank balances which expose the Group to foreign currency risk. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
USD		
Cash at banks	**364,572**	1,386,991
Terms deposits with initial term of over three months	**589,404**	–
Other receivables and prepayments	**395**	85
Trade payables	**–**	(136)
Other payables and accruals	**(3,404)**	(13,301)
HKD		
Cash at banks	**12,671**	12,491
Other payables	**–**	(307)
CAD		
Other payables and accruals	**(1,654)**	(12,497)

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2023, if RMB strengthened or weaken by 5% against USD with all other variables held constant, loss for the year ended 31 December 2023 would increase or decrease by RMB40,649,000 (loss for the year ended 31 December 2022 would increase or decrease by RMB58,380,000).

As at 31 December 2023, if RMB strengthened or weaken by 5% against HKD with all other variables held constant, loss for the year ended 31 December 2023 would increase or decrease by RMB539,000 (loss for the year ended 31 December 2022 would increase or decrease by RMB518,000).

As at 31 December 2023, if RMB strengthened or weaken by 5% against CAD with all other variables held constant, loss for the year ended 31 December 2023 would decrease or increase by RMB70,000 (2022: RMB531,000).

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to floating rate bank borrowings (Note 29). The Group is also exposed to fair value interest rate in relation to bank balances, term deposits, fixed rate bank borrowings and lease liabilities. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in floating rates and ensure they are within reasonable range.

During the years ended 31 December 2023 and 2022, some portion of borrowings interests were capitalised. Assuming that there was no interest capitalisation effect, the Group performs a sensitivity analysis below which has been determined based on the exposure to interest rates for the floating rate bank borrowings at the end of the reporting period. For floating rate borrowings, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher and all other variables were held constant, the Group's loss would approximately increase by RMB10,839,000 for the year ended 31 December 2023 (2022: the Group's losses would approximately increase by RMB10,751,000).

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk through its equity investment measured at fair value through profit or loss.

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date for financial assets at fair value through profit or loss.

If the prices of the respective equity instruments had been changed based on the 5% higher/lower, the loss for the year ended 31 December 2023 would decrease by RMB5,191,000 (loss for the year ended 31 December 2022 would decrease RMB1,992,000) or increase by RMB5,191,000 (loss for the year ended 31 December 2022 would increase RMB1,992,000), as a result of the changes in fair value of financial assets at FVTPL.

(b) Credit risk

Credit risk mainly arises from term deposits, cash at banks, trade receivables, other receivables and structured deposits. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

The credit risk of term deposits, cash at banks and structured deposits is limited because the counterparties are state-owned or reputable commercial banks which are high-credit-quality financial institutions located in the PRC.

For trade receivables and other receivables, management makes periodic assessments as well as collective and individual assessment on the recoverability based on historical settlement records and past experience and adjusts for forward looking information. The Group applies the simplified approach for the Group's trade receivables net with refund liabilities using a lifetime ECL provision.

As part of the Group's credit risk management, the Group determines the ECL on these items based on the financial quality of debtors, historical settlement records and past experience, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on ageing analysis within lifetime ECL.

Gross carrying amount	**As at 31 December 2023**		As at 31 December 2022	
Ageing analysis	**Average loss rate**	**Trade receivables**	Average loss rate	Trade receivables
	%	**RMB'000**	%	RMB'000
1-180 days	**–**	**358,744**	–	665,253
181-365 days	**4.19**	**119,618**	5.00	195,035
1-2 years	**10.86**	**181,968**	15.00	5,803
2-3 years	**40.00**	**2,199**	–	–

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

During the year ended 31 December 2023, the Group provided RMB15,046,000 as expected credit losses for trade receivables for the year ended 31 December 2023 (2022: RMB8,777,000).

Management has assessed that during the year ended 31 December 2023, 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 directors of the Company do not expect any losses from non-performance by the counterparties of other receivables and no loss allowance provision for other receivables was recognised.

(c) Liquidity risk

The Group aims to maintain sufficient cash to meet operating capital requirements.

The table below analyses the Group's financial liabilities and lease liabilities into relevant maturity groupings based on the remaining period at the end of the reporting periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Weighted Interest rates %	On demand or 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	Carrying amount at 31/12/2023 RMB'000
As at 31 December 2023							
Derivative financial liabilities	**–**	**973**	**–**	**–**	**–**	**973**	**973**
Trade payables	**–**	**103,970**	**–**	**–**	**–**	**103,970**	**103,970**
Other payables	**–**	**642,785**	**8,492**	**–**	**–**	**651,277**	**651,277**
Borrowings	**2.9**	**1,445,824**	**282,656**	**442,930**	**458,677**	**2,630,087**	**2,460,525**
Lease liabilities	**4.9**	**68,002**	**22,975**	**57,063**	**184,829**	**332,869**	**239,816**
Total	**–**	**2,261,554**	**314,123**	**499,993**	**643,506**	**3,719,176**	**3,456,561**
As at 31 December 2022							
Trade payables	–	253,120	–	–	–	253,120	253,120
Other payables	–	584,022	–	–	–	584,022	584,022
Borrowings	3.1	1,620,908	121,276	595,076	238,698	2,575,958	2,453,585
Lease liabilities	5.1	51,299	27,267	60,947	221,333	360,846	247,045
Total	–	2,509,349	148,543	656,023	460,031	3,773,946	3,537,772

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less "bank balances and cash". Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

As at 31 December 2023 and 2022, the Group was in a net cash position and thus, gearing ratio is not applicable.

45.3 Fair value estimation

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

This note provides information about how the Group determines fair value of the following financial assets and liabilities that are measured at fair value on a recurring basis.

Financial asset/ liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of significant unobservable input(s) to fair value
	12/31/2023 RMB'000	12/31/2022 RMB'000				
Structured deposits and certificates of deposit held for trading	618,341	1,776,958	Level 3	Discounted cash flow – Future cash flows are estimated based on expected rate of return	Expected rate of return	The higher the expected rate of return, the higher the fair value.
Wealth management products	689,934	705,099	Level 2	Discounted cash flow – Future cash flows are estimated based on expected rate of return published by the product managers	N/A	N/A
Unlisted equity investment	6,000	–	Level 2	Recent transaction price	N/A	N/A
Unlisted equity investment (i)	26,147	46,865	Level 3	Market approach – fair value estimated based on key inputs including price to sales ratio, liquidity discount	Liquidity discount	The lower the liquidity discount, the higher the fair value.
Unlisted fund investment (ii)	89,998	–	Level 3	Net asset value of underlying investments	Net assets	The higher net asset value, the higher the fair value

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.3 Fair value estimation (Continued)

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

This note provides information about how the Group determines fair value of the following financial assets and liabilities that are measured at fair value on a recurring basis. (Continued)

Financial asset/ liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of significant unobservable input(s) to fair value
	12/31/2023 RMB'000	12/31/2022 RMB'000				
Derivative financial assets	84	–	Level 2	Discounted cash flow – Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at rates that reflect the credit risk of various counterparties	N/A	N/A
Derivative financial assets	1,211	–	Level 3	Option pricing model – fair value estimated based on key inputs including volatility.	Volatility	The higher the volatility, the higher the fair value
Derivative financial liabilities	973	–	Level 2	Discounted cash flow – Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at rates that reflect the credit risk of various counterparties	N/A	N/A

There were no transfers between level 1 and 2 during 2023 and 2022.

Notes:

(i) The equity investment represents the Group's equity investment in Thousand Oaks Biopharmaceuticals Co., Ltd. As there was no recent financing activities during the year ended 31 December 2023, the Group used the market approach to assess the fair value of its equity investment.

(ii) The equity investment represents the Group's equity investment in Yuanxi Haihe. As the Group has no guaranteed income, exit guarantee, or obligation to other investors, the equity investments are recognised as financial assets at fair value through profit or loss. As the net asset value of Yuanxi Haihe mainly consist of bank balance and investments measured at fair value, the Group used the asset-based method to assess the fair value of its equity investment.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.3 Fair value estimation (Continued)

(b) Reconciliation of level 3 fair value measurements

Details of reconciliation of financial assets at FVTPL measured at Level 3 fair value measurement are set out as below:

	Structured deposits and certificates of deposit held for trading Year ended 31 December		Unlisted equity investment Year ended 31 December		Unlisted fund investment Year ended 31 December		Derivative financial assets Year ended 31 December	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Opening balance	1,776,958	1,821,789	46,865	45,310	–	–	–	–
Additions	3,053,377	11,281,912	–	–	91,000	–	–	–
Settlements	(4,238,384)	(11,403,415)	–	–	–	–	–	–
Gain and losses recognised in profit or loss	26,390	76,672	(20,718)	1,555	(1,002)	–	1,211	–
Closing balance	618,341	1,776,958	26,147	46,865	89,998	–	1,211	–
Total gains or losses for the year included in "other income"	28,385	76,502	–	–	–	–	–	–
Changes in unrealised gains or losses for the year included in "other gains (losses), net" at the end of the year	(1,995)	170	(20,718)	1,555	(1,002)	–	1,211	–

(c) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

46.1 General information of subsidiaries

Name of company	Place of incorporation	Proportion ownership interest held by the Company				Principal activity
		Directly		Indirectly		
		2023	2022	2023	2022	
天津萬博生物醫藥技術有限公司 Tianjin Wan Bo Biomedical Technology Co., Ltd.*	China	100.00%	100.00%	–	–	Business development and trade services
CanSino Biologics (Canada) Inc.	Canada	100.00%	100.00%	–	–	Research and development
CanSino Biologics (Singapore) Inc Pte. Ltd.	Singapore	100.00%	100.00%	–	–	Business development and trade services
CanSino SPH (Note 45.2) (i)	China	49.80%	49.80%	–	–	Production and manufacturing
CanSino Biologics (Hong Kong) Limited	Hong Kong, China	100.00%	100.00%	–	–	Research and development
康希諾生物(上海)有限公司 CanSino Biologics(Shanghai) Co., Ltd.*	China	100.00%	100.00%	–	–	Business development and trade services
康希諾(上海)生物研發有限公司 CanSino (Shanghai) Biological Research and development Co., Ltd.*	China	–	–	100.00%	100.00%	Research and development
康希諾(上海)生物科技有限公司 CanSino (Shanghai) Biotechnology Co., Ltd.*	China	–	–	97.33%	97.33%	Production and manufacturing
CanSino Biologics (Switzerland) SA	Switzerland	100.00%	100.00%	–	–	Business development and trade services
康博(天津)醫藥科技有限公司 Kangbo (Tianjin) Pharmaceutical Technology Co., Ltd.*	China	100.00%	100.00%	–	–	Production and manufacturing
博邁(天津)創業投資管理有限公司 Bomai (Tianjin) Venture Capital Management Co., Ltd.*	China	100.00%	100.00%	–	–	Investment management
康希諾(天津)國際生命科技有限公司 (曾用名:中智華康(天津)科技發展有限公司) ("康希諾國際生命科技")CanSino (Tianjin) International Life Science Co., Ltd.* (ii)	China	100.00%	–	–	–	Research and development and trading services

* The English names are for identification purpose only.

Notes:

(i) On 2 February 2021, CanSino SPH was established in Shanghai with a registered capital of RMB100,000,000 pursuant to an investment agreement entered into by the Company, Sunway Biotech and Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership) ("**Industry Investment Fund**"), both being independent third parties. CanSino SPH was owned as to 45% by the Company, 40% by Sunway Biotech and 15% by Industry Investment Fund. CanSino SPH is a subsidiary of the Company as a result of a concert party agreement entered into by and between the Company and Industry Investment Fund. On 17 May 2021, the Company, Sunway Biotech and Industry Investment Fund entered into a capital increase agreement, pursuant to which, the Company and Sunway Biotech agreed to increase the registered capital of CanSino SPH from RMB100,000,000 to RMB1,204,890,000 by way of capital contribution of an amount of RMB555,000,000 and RMB549,890,000 into CanSino SPH by the Company and Sunway Biotech, respectively. Upon completion of the capital increase, CanSino SPH was owned as to approximately 49.8% by the Company, approximately 49.0% by Sunway Biotech and approximately 1.2% by Industry Investment Fund and remained as a subsidiary of the Company.

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

46.1 General information of subsidiaries (Continued)

(ii) On August 22, 2023, the Company acquired CanSino (Tianjin) International Life Science Co., Ltd., which has no substantive business, with a consideration of RMB 350,000 and such transaction was accounted for as an asset acquisition. Upon the completion of the asset acquisition, the Company recognized an intangible asset originally held by CanSino (Tianjin) International Life Science Co., Ltd. with the carrying amount of RMB 337,000.

None of the subsidiaries had issued any debt securities at the end of the year.

46.2 Details of non-wholly owned subsidiary that have material non-controlling interests

Name of subsidiary	Principal place of business and place of incorporation	Proportion of ownership interests as at		Loss allocated to non-controlling interests for the year ended		Accumulated non-controlling interests as at	
		31/12/2023	31/12/2022	**31/12/2023**	31/12/2022	**31/12/2023**	31/12/2022
CanSino SPH	PRC	**49.80%**	49.80%	**(484,701)**	(55,326)	**12,811**	497,512

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

CanSino SPH

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Current assets	**56,564**	410,249
Non-current assets	**689,738**	1,490,997
Current liabilities	**(526,686)**	(515,966)
Non-current liabilities	**(179,167)**	(366,594)
Equity attributable to owners of the Company	**27,638**	521,174
Non-controlling interests of CanSino SPH	**12,811**	497,512

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

46.2 Details of non-wholly owned subsidiary that have material non-controlling interests (Continued)

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue	**13,967**	83,461
Expenses	**992,204**	165,982
Loss for the year	**(978,237)**	(82,521)
Loss attributable to:		
– Owners of the Company	**(493,536)**	(27,195)
– Non-controlling interests of CanSino SPH	**(484,701)**	(55,326)
Loss for the year	**(978,237)**	(82,521)
Total comprehensive expense attributable to		
– Owners of the Company	**(493,536)**	(27,195)
– Non-controlling interests	**(484,701)**	(55,326)
Net cash outflow from operating activities	**(41,178)**	(197,274)
Net cash outflow from investing activities	**(23,091)**	(281,699)
Net cash inflow from financing activities	**24,752**	142,351
Net cash outflow	**(39,517)**	(336,622)

47. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the consolidated financial statements, the following significant events took place subsequent to 31 December 2023:

(a) The Group lost control over CanSino SPH

As disclosed in Note 45.1, the Company has control over CanSino SPH by entering into a concert party agreement with the investment fund. The initial cooperation period agreed in the concert party agreement by the Company and Industry Investment Fund expired on February 2, 2024. Upon the termination of the concert party agreement, the Group has no dominant voting power to direct the relevant activities of CanSino SPH and therefore the Group has no control over CanSino SPH. Since then, CanSino SPH becomes an associate of the Group since the Group has sufficient influence over CanSino SPH.

(b) Subsequent lawsuit

The Company received a lawsuit in March 2024 from the Brazilian Court filed by Belcher. Details of the lawsuit are set out in Note 41.

Definitions

"A Share Offering"	the Company's initial public offering of 24,800,000 A Shares and listing on the Sci-Tech Innovation Board of Shanghai Stock Exchange on August 13, 2020
"A Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each and listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange and traded in RMB
"Ad5Ag85A"	a novel tuberculosis vaccine expressing Ag85A antigen in a human type V adenovirus vector
"Ad5-EBOV"	an adenovirus type 5 vector based Ebola virus disease vaccine, a vaccine jointly developed by, among others, CanSinoBIO, that protects against Ebola by relying on the recombinant replication-defective human adenovirus type-5 vector to induce the immune response, which received the NDA approval in China in October 2017
"Ad5-nCoV"	Recombinant Novel Coronavirus Vaccine (Adenovirus Type 5 Vector), consisting of two types of products, namely Convidecia® and Convidecia Air® (Ad5-nCoV for Inhalation)
"adenovirus"	a DNA virus originally identified in human adenoid tissue, causing infections of the respiratory system, conjunctiva, and gastrointestinal tract
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"CanSino Innovative Vaccine Industrial Campus Project"	an upgrade and replacement of the construction plan of phase II manufacture facilities originally planned by the Company in its A Share Offering prospectus
"CanSino SPH"	CanSino SPH Biologics Inc.* (上海上藥康希諾生物製藥有限公司), a limited liability company established in the PRC in February 2021 pursuant to a joint venture agreement entered into by and among the Company, Shanghai Sunway Biotech and Industry Investment Fund in January 2021
"CanSinoBIO" or "Company"	CanSino Biologics Inc. (康希諾生物股份公司), a joint stock company incorporated in the PRC with limited liability on February 13, 2017, or, where the context requires (as the case may be), its predecessor, Tianjin CanSino Biotechnology Inc. (天津康希諾生物技術有限公司), a company incorporated in the PRC with limited liability on January 13, 2009

"CDC"	Chinese Centre for Disease Control and Prevention
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, Macau Special Administrative Region and Taiwan
"Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended from time to time
"Concert Party Agreement"	the agreement entered into between Dr. Yu, Dr. Zhu, Dr. Qiu and Dr. Mao on February 13, 2017 which was subsequently amended on January 26, 2022 and re-entered into on March 27, 2024. Pursuant to the agreement, Dr. Yu, Dr. Zhu, Dr. Qiu and Dr. Mao have undertaken to, among other things, vote (and procure the entities held by them if any to vote) unanimously for any resolutions proposed at any Shareholders' meeting of our Company
"conjugate"	chemically link bacterial capsular polysaccharide to a protein to enhance immunogenicity
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules and unless the context requires otherwise, refers to Dr. Yu, Dr. Zhu, Dr. Qiu and Dr. Mao
"Convidecia®"	trade name of Recombinant Novel Coronavirus Vaccine (Adenovirus type 5 Vector) for intramuscular injection
"Convidecia Air®" or "Ad5-nCoV for Inhalation"	Recombinant Novel Coronavirus Vaccine (Adenovirus Type 5 Vector) for inhalation
"COVID-19"	the disease caused by a new coronavirus called SARS-CoV-2
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"Dr. Chao"	Dr. Shou Bai CHAO, chief operating officer and deputy general manager of the Company and spouse of Dr. Mao
"Dr. Mao"	Dr. Helen Huihua MAO, our executive vice-president, co-founder and Controlling Shareholder and spouse of Dr. Chao
"Dr. Qiu"	Dr. Dongxu QIU, deputy general manager of the Company, our co-founder and Controlling Shareholder

Definitions

"Dr. Yu"	Dr. Xuefeng YU, chairman of the Board, executive Director, chief executive officer and general manager of the Company, our co-founder and Controlling Shareholder
"Dr. Zhu"	Dr. Tao ZHU, chief scientific officer and deputy general manager of the Company, our co-founder and Controlling Shareholder
"DTcP"	diphtheria, tetanus and acellular pertussis (components) combined vaccine, each pertussis antigen of DTcP vaccines is purified individually and are subsequently combined in a defined ratio, hence ensuring a fixed and consistent composition
"DTcP Booster"	a vaccine being developed by us that addresses the weaker protection preventing pertussis after primary vaccination, designed for children (4 to 6 years old)
"DTcP Infant"	DTcP vaccine for infants (below 2 years old)
"First Grant"	the proposed grant of not more than 880,200 Restricted Shares, representing approximately 80.00% of the total number of Restricted Shares under the 2021 Incentive Scheme
"GMP"	Good Manufacturing Practice, guidelines and regulations from time to time issued pursuant to the PRC Drug Administration Law (《中華人民共和國藥品管理法》) as part of quality assurance which aims to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
"Group"	the Company and its subsidiary
"Hib"	Haemophilus Influenzae Type b Conjugate Vaccine, Freeze-dried
"H Share(s)"	overseas listed shares in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HKD and listed on the Main Board of the Hong Kong Stock Exchange
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended or supplemented from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

"immunogenicity"	the ability of a particular substance, such as an antigen, to provoke an immune response in the body of a human and other animal
"IND"	investigational new drug
"Industry Investment Fund"	Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership)* (上海生物醫藥產業股權投資基金合夥企業(有限合夥)), an existing shareholder of CanSino SPH and an independent third party of the Company as of the date of this report, the general partner of which is Shanghai Biomedical Industry Equity Investment Fund Co., Ltd.* (上海生物醫藥產業股權投資基金管理有限公司)
"KOL"	Key opinion leaders
"Listing of H Shares"	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange on March 28, 2019
"Main Board"	the Main Board of the Hong Kong Stock Exchange
"MCV"	meningococcal conjugate vaccine, used to prevent infection caused by meningococcal bacteria
"MCV2"	Groups A and C MCV, a vaccine used for the prevention of N. meningitides (Lta)
"MCV4"	Groups A, C, Y and W135 MCV, a vaccine used for the prevention of N. meningitides (Lta)
"Menhycia®"	trade name of Groups A, C, Y and W135 MCV, a vaccine used for the prevention of N. meningitides (Lta)
"Menphecia®"	trade name of Groups A and C MCV, a vaccine used for the prevention of N. meningitides (Lta)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules
"MPSV4"	Group A, C, Y and W135 MPSV, a vaccine used for the prevention of epidemic cerebrospinal meningitis in children aged above two years old
"mRNA"	messenger RNA
"NDA"	new drug application
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA

Definitions

"Nomination Committee"	the nomination committee of the Board
"PBPV"	a globally innovative, serotype-independent protein-based pneumococcal vaccine being developed by us
"PCV13"	13-Valent pneumococcal conjugate vaccine, 13-valent vaccine primarily used for the prevention of invasive pneumococcal diseases
"PCV13*i*"	an improved pneumococcal polysaccharide conjugate vaccine being developed by us
"pertussis"	commonly known as whooping cough, a respiratory tract infection characterized by a paroxysmal cough
"polysaccharide"	a carbohydrate that can be decomposed by hydrolysis into two or more molecules of monosaccharides
"POV"	point of vaccination
"PPV23"	23-valent pneumococcal polysaccharide vaccine, used for the prevention of invasive pneumococcal disease in children aged above two years of old and adults
"R&D"	Research and development
"Recombinant Poliomyelitis Vaccine"	a VLP-based polio vaccine developed by the Company
"Recombinant Zoster Vaccine"	the Recombinant Zoster Vaccine (Adenovirus Vector) developed by the Group in cooperation with Vaccitech (UK) Limited
"Remuneration and Assessment Committee"	the remuneration and assessment committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the year from January 1, 2023 to December 31, 2023
"Reserved Grant"	the reserved grant of not more than 220,050 Restricted Shares, representing approximately 20.00% of the total number of Restricted Shares under the 2021 Incentive Scheme
"Restricted Share(s)"	A Share(s) to be granted to the participants by the Company under the 2021 Incentive Scheme
"SARS-CoV-2"	a strain of the species severe-acute-respiratory-syndrome-related coronavirus
"Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as amended from time to time

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Pharma"	Shanghai Pharmaceuticals Holding Co., Ltd.* (上海醫藥集團股份有限公司), a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 2607) and the Shanghai Stock Exchange (stock code: 601607)
"Shanghai Qianxirui"	Shanghai Qianxirui Enterprise Management Partnership (Limited Partnership) (上海千希睿企業管理合夥企業(有限合夥)) (formerly known as Tianjin Qianrui Enterprise Management Partnership (Limited Partnership) (天津千睿企業管理合夥企業(有限合夥))), a limited partnership incorporated in the PRC on May 24, 2018 as an employee incentive platform of the Company
"Shanghai Qianxiyi"	Shanghai Qianxiyi Enterprise Management Partnership (Limited Partnership) (上海千希益企業管理合夥企業(有限合夥)) (formerly known as Tianjin Qianyi Enterprise Management Partnership (Limited Partnership) (天津千益企業管理合夥企業(有限合夥))), a limited partnership incorporated in the PRC on July 31, 2015 as an employee incentive platform of the Company
"Shanghai Qianxizhi"	Shanghai Qianxizhi Enterprise Management Partnership (Limited Partnership) (上海千希智企業管理合夥企業(有限合夥)) (formerly known as Tianjin Qianzhi Enterprise Management Partnership (Limited Partnership) (天津千智企業管理合夥企業(有限合夥))), a limited partnership incorporated in the PRC on May 24, 2018 as an employee incentive platform of the Company
"Shanghai Sunway Biotech"	Shanghai Sunway Biotech Co., Ltd.* (上海三維生物技術有限公司), a non-wholly owned subsidiary of Shanghai Pharma and a connected person of the Company at the subsidiary level as of the date of this report
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising A Share(s) and H Share(s)
"STAR Market Listing Rules"	the Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange《上海證券交易所科創板股票上市規則》
"Supervisor(s)"	supervisor(s) of our Company

"TB"	tuberculosis, an infection caused by Mycobacterium tuberculosis that primarily affects the lungs
"TB Booster"	a recombinant human type 5 adenovirus-based tuberculosis vaccine, a globally innovative TB booster vaccine for Bacillus Calmette-Guerin vaccinated population
"Tdcp Adolescent and Adult"	a vaccine being developed by us for adolescents and adults (above 6 years old) that protects against pertussis, containing slightly increased amount of TT antigen to DTcP vaccine candidate for infants, but reduced amounts of pertussis and DT antigens
"Tetanus Vaccine"	Absorbed Tetanus Vaccine
"USD" or "US$"	US dollar, the lawful currency of the United States of America
"vector"	an agent (such as a plasmid or virus) that contains or carries modified genetic material (such as recombinant DNA) and can be used to introduce exogenous genes into the genome of an organism
"VLP"	virus-like particle
"WHO"	World Health Organization
"XBB.1.5 Variant"	the Recombinant COVID-19 XBB.1.5 Variant Vaccine for Inhalation (Adenovirus Type 5 Vector)

* *For identification purposes only*