# SHANGHAI JUNSHI BIOSCIENCES CO., LTD.*
# 上海君實生物醫藥科技股份有限公司

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

**(Stock code: 1877)**

## OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the "Proposal for the Issuance of Domestic New Underlying Shares as a Result of the Issuance of GDRs Outside of the PRC by Shanghai Junshi Biosciences Co., Ltd.* in 2023 (《上海君實生物醫藥科技股份有限公司 2023 年度境外發行 GDR 新增境內基礎股份的發行預案》)" published by Shanghai Junshi Biosciences Co., Ltd.* on the website of the Shanghai Stock Exchange, for reference purpose only. The following is a translation of the official announcement solely for the purpose of providing information. Should there be any discrepancies, the Chinese version will prevail.

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

Shanghai, the PRC, 5 June 2023

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Xiong Jun, Dr. Li Ning, Dr. Feng Hui, Mr. Zhang Zhuobing, Dr. Yao Sheng, Mr. Li Cong and Dr. Zou Jianjun as executive Directors; Dr. Wu Hai and Mr. Tang Yi as non-executive Directors; and Dr. Chen Lieping, Dr. Roy Steven Herbst, Mr. Qian Zhi, Mr. Zhang Chun and Dr. Feng Xiaoyuan as independent non-executive Directors.*

* *For identification purpose only*

Stock Code: 688180 Stock Abbreviation: Junshi Biosciences

# Shanghai Junshi Biosciences Co., Ltd.

(Room 1003, Floor 10, Building 2, No. 36 and 58, Haiqu Road, China (Shanghai) Pilot Free Trade Zone)

# Proposal for the Issuance of Domestic New Underlying Shares as a Result of the Issuance of GDRs Outside of the PRC in 2023

**June 2023**

# COMPANY'S STATEMENT

The Company and all members of the Board of Directors guarantee that the contents of the Proposal are true, accurate and complete and will bear individual and joint liabilities for the false records, misleading statements or major omissions herein.

Upon completion of the issuance of domestic new underlying shares as a result of the issuance of Global Depository Receipts ("GDRs") outside of the PRC (the "Issuance"), any change in the operation and revenue shall be borne by the Company at its own risk, and any investment risk arising from the Issuance shall be assumed by the investors.

The Proposal is the description of the Issuance by the Board of Directors of the Company, and any statement to the contrary shall be misrepresentation.

Investors should consult their own stockbrokers, lawyers, professional accountants or other professional advisers if in doubt.

The matters mentioned herein do not represent the substantive judgment or confirmation of the reviewing authority on the matters relating to the Issuance. the effectiveness and completion of the matters related to the Issuance mentioned in the Proposal are still subject to the conditions such as the consideration and approval at the Company's General Meeting, the review and approval by the Shanghai Stock Exchange, the approval by China Securities Regulatory Commission for registration and filing, and the approval by the SIX Swiss Exchange.

# SPECIAL NOTICE

The expressions or abbreviations used herein shall have the same meaning as those defined under the "Definitions" in the Proposal.

1. The Issuance Proposal for the Issuance and related matters have been reviewed and approved at the twentieth meeting of the third session of the Board of the Company held on 5 June 2023. The matters related to the Issuance shall still subject to the conditions such as the consideration and approval at the Company's General Meeting, the review and approval by the Shanghai Stock Exchange, the approval by the CSRC for registration and filing, and the approval by the SIX Swiss Exchange.

2. It is intended that the GDRs shall be offered globally to qualified international investors and other investors who are qualified according to relevant regulations.

3. Under the framework of the general mandate to issue new A Shares and/or H Shares of the Company as considered and approved at the annual general meeting of the Company, the number of new Underlying Shares represented by the GDRs to be issued by the Company (including securities issued upon the exercise of any over-allotment option, if any) shall be no more than 68,292,200 Shares, representing a maximum cap of 6.93% and 8.91% of the total share capital of ordinary Shares and A Shares of the Company, respectively, prior to the Issuance.

The number of the new Underlying Shares represented by the GDRs to be issued shall be adjusted correspondingly according to relevant regulations and regulatory approval documents in the event of any changes in the share capital of A Shares of the Company at the time of issuance arising from bonus issue, share split or consolidation and others during the period from the date on which the Issuance is approved by the Board to the issuance date.

The final number of Shares to be issued shall be proposed for determination by the

Board and persons authorized by the Board as authorized at the General Meeting in accordance with legal requirements, regulatory authorities' approval and market conditions.

4. The price of the Issuance will be determined after due consideration of the interests of existing shareholders of the Company, appetite of investors and risks of issuance, etc., in accordance with international practices, the Provisions on the Supervision and Administration and other relevant regulatory requirements, taking into full account of order demands and results of book-building process, and based on the domestic and overseas capital market conditions at the time of issuance.

In principle, the price of the Issuance as calculated according to the Conversion Rate between the GDRs and the Underlying Shares shall not be lower than 90% of the average closing price of the Underlying Shares during the 20 trading days prior to the Pricing Determination Date, unless otherwise provided by laws and regulations or by the competent regulatory authorities.

5. The par value of each GDR will be determined based on the Conversion Rate between the issued GDRs and the Underlying Shares. Each GDR represents a corresponding number of A Shares with a par value of RMB1 each, as calculated based on the finalized Conversion Rate.

The Conversion Rate between the GDRs to be issued and the Underlying Shares shall be proposed for determination by the Board and persons authorized by the Board as authorized at the General Meeting in accordance with legal requirements, regulatory authorities' approvals, market conditions and other factors.

6. The GDRs to be issued may be converted into the Underlying Shares in compliance with domestic and overseas regulatory requirements. Pursuant to the requirements of the Provisions on the Supervision and Administration, the GDRs to be issued shall not be converted into domestic A Shares within 120 days commencing from

the date of listing. The GDRs subscribed by the Company's controlling shareholders, the de facto controllers and the enterprises under their control shall not be transferred within 36 months commencing from the date of listing. In order to maintain the liquidity of GDRs and the price stability in both markets, it is proposed that the Board and persons authorized by the Board as authorized at the General Meeting shall determine the matters relating to the determination of the conversion restriction period in light of the prevailing domestic and overseas market conditions and the actual situation of the Company.

7. The proceeds from the issuance of GDRs are denominated in USD. The total proceeds (including issuance expenses) after conversion at the mid-point price of RMB/USD exchange rate as at the Pricing Determination Date shall not exceed RMB3.40 billion (inclusive), and all the net proceeds after deducting issuance expenses will be used as follows:

Unit: RMB 0'000

| No. | Projects | Proceeds proposed to be invested |
|---|---|---|
| 1 | R&D projects of Innovative drugs | 200,000.00 |
| 2 | Construction project of Junshi Biotech Industrialization Base | 40,000.00 |
| 3 | Replenishment of liquidity | 100,000.00 |
| **Total** | | **340,000.00** |

After the proceeds from the Issuance are received, if the actual net proceeds are less that the above proceeds proposed to be invested, the Board of Directors of the Company and its authorized person(s) will, within the above proceeds-funded projects, adjust and finalize the specific investment, order and specific amount of each project of the corresponding proceeds-funded projects according to the actual situation such as the progress of the project and capital needs. The shortfall will be financed by self-owned funds of the Company or other financial means. The Company may, according to the actual

situations of the proceeds-funded projects, invest the self-raised funds first before the proceeds of the Issuance are in place, and replace them pursuant to relevant requirement of laws and regulations after the proceeds are in place.

If the total proceeds from the Issuance are to be adjusted due to changes in regulatory policies or the requirements of issuance registration documents, it will be adjusted accordingly.

8. The undistributed accumulated profits prior to the Issuance will be shared among the new and existing shareholders of the Company upon completion of the Issuance.

9. The resolution regarding the Issuance shall be valid for 12 months from the date on which the resolution is considered and approved by the General Meeting.

10. The Company actively implemented the Notice on Further Implementation of Matters in Relation to Distribution of Dividends in Cash by Listed Companies (ZJF [2012] No. 37) (《关于进一步落实上市公司现金分红有关事项的通知》（证监发[2012]37 号）), the Regulatory Guidelines for Listed Companies No. 3 - Distribution of Dividends in Cash by Listed Companies (CSRC Announcement [2022] No. 3) (《上市公司监管指引第 3 号——上市公司现金分红》（证监会公告[2022]3 号）) and other requirements, and has based on the actual situation of the Company, formulated the Next Three-Year Shareholder Dividend Return Plan (2023-2025) of Shanghai Junshi Biosciences Co., Ltd. (《上海君实生物医药科技股份有限公司未来三年（2023-2025 年）股东分红回报规划》). For the details of the profit distribution and cash dividend policy, please refer to "Section IV Profit Distribution Policy of the Company and Implementation" in the Issuance Proposal.

11. When the proceeds are received after the completion of the Issuance, the Company's total share capital and net assets will increase accordingly. Since it will take some time before the proceeds-funded projects are put into use and action and generate

benefits, and shareholders' returns are still realized through existing businesses during such period, the Company's net profit and net assets may not grow synchronously in the short term, and there are risks that indicators such as earnings per share and return on equity will be diluted in the short term. To protect the interests of small and medium investors, the Company has conducted a careful analysis of the impact of the Issuance on the dilution of immediate returns and formulated specific measures to mitigate the diluted immediate returns. For details, please refer to the Announcement on the Shanghai Junshi Biosciences Co., Ltd.'s Remedial Measures for the Dilution of Immediate Return by the Issuance of Domestic New Underlying Shares as a Result of the Issuance of GDRs Outside of the PRC and Undertakings by the Relevant Entities (《上海君实生物医药科技股份有限公司关于境外发行 GDR 新增境内基础股份摊薄即期回报与公司采取填补措施及相关主体承诺的公告》). Investors are hereby advised to pay attention to the risk of dilution of the immediate return of shareholders by the Issuance. Although the Company has formulated remedial measures to deal with the risk, such measures do not guarantee the future profits of the Company.

12. The Issuance of the Issuer complies with the relevant provisions of the Company Law, Securities Law, Administrative Measures for the Issuance, Provisions on the Supervision and Administration, Guidelines on Depository Receipts, Provisional Measures for Depository Receipts and other laws and regulations and will not cause the shareholding structure of the Company to fail to meet the listing requirements after the Issuance.

13. As of the announcement date of the Proposal, the SSE is soliciting comments on the Provisional Measures for the Listing and Trading of Depository Receipts under the Stock Connect Scheme between Shanghai Stock Exchange and Overseas Stock Exchanges (Revised in 2023) (Consultation Paper). If there are amendments to the relevant provisions for the issuance of domestic new shares as a result of overseas

issuance of GDRs and etc. in the subsequent formal draft of the Provisional Measures for Depository Receipts, the Company will make corresponding adjustments to the Issuance Proposal.

# CONTENTS

# DEFINITIONS

In this Proposal, unless otherwise indicated in the context, the following expressions or abbreviations have the meanings set out below:

| | | |
|---|---|---|
| The Company, Junshi Biosciences, Junshi, the Issuer | means | Shanghai Junshi Biosciences Co., Ltd. |
| General Meeting | means | General meeting of shareholders of Shanghai Junshi Biosciences Co., Ltd. |
| Board, Board of Directors | means | Board of Directors of Shanghai Junshi Biosciences Co., Ltd. |
| Board of Supervisors | means | Board of Supervisors of Shanghai Junshi Biosciences Co., Ltd. |
| CSRC | means | China Securities Regulatory Commission |
| SSE | means | Shanghai Stock Exchange |
| Swiss Exchange | means | SIX Swiss Exchange |
| The Issuance | means | The overseas issuance of global depository receipts representing domestic new underlying shares by Junshi Biosciences to raise funds |
| The Proposal, the Issuance Proposal | means | The proposal for the overseas issuance of global depository receipts representing domestic new underlying shares by Junshi Biosciences |
| GDR(s) | means | Global Depositary Receipts |
| Underlying Shares | means | The new RMB ordinary shares of the Company (A shares) to be issued in the People's Republic of China, which are represented by the GDRs under the Issuance |
| Conversion Rate | means | The conversion rate between the GDRs under the Issuance and the corresponding Underlying Shares |
| Pricing Determination Date | means | the first day of the issuance period of the global depository receipts |

| | | |
|---|---|---|
| NMPA, National Medical Products Administration | means | National Medical Products Administration under the State Administration for Market Regulation. State Food and Drug Administration changed its name to China Food and Drug Administration (the "CFDA") in 2013. In 2018, the State Council established the State Administration for Market Regulation and no longer retained the CFDA. Considering the particularity of drug supervision, National Medical Products Administration (the "NMPA") was established separately and managed by the State Administration for Market Regulation. |
| FDA | means | U.S. Food and Drug Administration |
| EMA | means | European Medicines Agency |
| MHRA | means | Medicines and Healthcare Products Regulatory Agency |
| Monoclonal antibodies, mab | means | Antibodies produced by the same immune cells, which are all clones of the same parent cell |
| JS001, Toripalimab, TUOYI® | means | Recombinant human anti-PD-1 monoclonal antibody injection |
| JS002 | means | Recombinant humanized anti-PCSK9 monoclonal antibody |
| JUNMAIKANG® | means | An adalimumab jointly developed by us and Jiangsu T-mab BioPharma Co., Ltd., a subsidiary of Mabwell Bio |
| JS004, tifcemalimab | means | Recombinant humanized anti-BTLA monoclonal antibody |
| JS005 | means | Recombinant humanized anti-IL-17A monoclonal antibody |
| IND | means | Investigational New Drug Application, which is the application and approval process required before starting a human clinical trial |
| NDA | means | New Drug Application , which is the completion of registration and marketing application for new drug clinical study |
| BLA | means | Biologics License Application |
| Company Law | means | the Company Law of the People's Republic of China |
| Securities Law | means | the Securities Law of the People's Republic of China |
| SSE STAR Market Listing Rules | means | Rules Governing the Listing of Stocks on the STAR Market of the Shanghai Stock Exchange (《上海证券交易所科创板股票上市规则》) |
| Administrative Measures for the Issuance | means | Measures for the Administration of Securities Issuance and Registration of Listed Companies (《上市公司证券发行注册管理办法》) |

| | | |
|---|---|---|
| Provisions on the Supervision and Administration | means | Provisions on the Supervision and Administration of Depository Receipts under the Stock Connect Scheme between Domestic and Overseas Stock Exchanges (《境内外证券交易所互联互通存托凭证业务监管规定》) |
| Guidelines on Depository Receipts | means | Applicable Guidelines under Regulatory Rules－Overseas Issuance and Listing Category No. 6: Guidelines on Overseas Issuance of Global Depository Receipts by Domestic Listed Companies (《监管规则适用指引——境外发行上市类第 6 号：境内上市公司境外发行全球存托凭证指引》) |
| Provisional Measures for Depository Receipts | means | Provisional Measures for the Listing and Trading of Depository Receipts under the Stock Connect Scheme between Shanghai Stock Exchange and Overseas Stock Exchanges (Revised in 2023) (Consultation Paper) (《上海证券交易所与境外证券交易所互联互通存托凭证上市交易暂行办法》(2023 年修订) (征求意见稿)) |
| Articles of Association | means | Articles of Association of Shanghai Junshi Biosciences Co., Ltd. |
| RMB, RMB0’000, RMB00’000’000 | means | Unless otherwise stated, means Renminbi 1 Yuan, Renminbi 10,000 Yuan, Renminbi 100 million Yuan, respectively |

# Section I Summary of the Issuance of GDRs and its Listing on the SIX Swiss Exchange

## I. Basic information of the Issuer

| | |
|---|---|
| Chinese Name of the Company | 上海君实生物医药科技股份有限公司 |
| English Name of the Company | Shanghai Junshi Biosciences Co., Ltd. |
| Registered capital | RMB985,689,871 |
| Place of Listing | Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited |
| Stock Abbreviation | Junshi Biosciences-U (A Shares), Junshi Biosciences (H Shares) |
| Stock Code | 688180.SH, 1877.HK |
| Legal representative | Xiong Jun |
| Date of establishment of the limited company | 27 December 2012 |
| Date of establishment of the joint stock company | 5 May 2015 |
| Office address | Room 1003, Floor 10, Building 2, No. 36 and 58, Haiqu Road, China (Shanghai) Pilot Free Trade Zone |
| Postal code | 201203 |
| Telephone | 021-61058800 |
| Fax | 021-61757377 |
| Company website | http://www.junshipharma.com/ |
| E-mail | Info@junshipharma.com |
| Department responsible for information disclosure and investor relations | The Office of the Board |
| Person-in-charge on information disclosure | Chen Yingge |
| Contact number of the person-in-charge on information disclosure | 021-61058800-1153 |

## II. Background and purpose of the Issuance

### (I) Background of the Issuance

**1. The biopharmaceutical industry grows rapidly with bright market prospect**

The demand for biopharmaceuticals has further increased as Chinese residents' economic level and health awareness improves. The biopharmaceuticals market in China reached RMB410.0 billion in 2021. According to Frost & Sullivan, China biopharmaceuticals market is expected to reach RMB710.2 billion by 2025 and RMB1,199.1 billion by 2030, and the compound annual growth rate (CAGR) from 2025 to 2030 is expected to be 11.0%. The global biopharmaceuticals market has grown from US$239.6 billion in 2017 to US$338.4 billion in 2021 at a CAGR of 9.0% from 2017 to 2021. Due to expansion of patient base and improvement of payment capacity and other factors, the future growth rate of the biopharmaceuticals market will be much higher than that of the chemical pharmaceuticals market in the same period. According to Frost & Sullivan's forecast, the global biopharmaceuticals market is expected to reach US$541.1 billion by 2025 and US$814.8 billion by 2030, and the CAGR from 2025 to 2030 is expected to be 8.5%.

**2. Policies encourage and promote the development of domestic innovative drugs**

The overall innovative drug market currently accounts for about 7.3% of the domestic public pharmaceutical terminal market with much room for improvement compared with the proportion of the pharmaceutical market in developed regions such as Europe, America and Japan. As China deepens medical and health system reform, policies have been launched successively, such as national centralized drug procurement and drug price negotiation, consistency evaluation, marketing authorization holder system, strict control on medical insurance costs, price cuts for new anti-cancer drugs and accelerated inclusion of new anti-cancer drugs into medical insurance, and accelerated new drug evaluation. China's innovative drug R&D environment has ushered in major changes, and the pharmaceutical industry is facing a

reshuffle, bringing development opportunities for the innovative pharmaceutical companies with real innovation capabilities and core competitiveness, especially those with leading technical capabilities and cost advantages. Since 2017, the NMPA has accelerated the review and approval of new drugs to drive the development of Chinese innovative drug companies. Moreover, more innovative drugs are allowed to be included in the scope of medical insurance payments more quickly through medical insurance negotiations, providing better environment for innovative drug R&D.

**3. The Issuance is in line with the Company's strategic development needs**

As an innovation-driven biopharmaceutical company, the Company aims to develop first-in-class or best-in-class drugs with superior innovative drugs discovery capability, strong biotechnology R&D capability, and large-scale production technology. The Issuance will help accelerate the Company's clinical research and promote the marketing process of related products at home and abroad, expand the production capacity of monoclonal antibody drug substance for the Company, improve the Company's production capabilities to convert the R&D achievements of innovative drugs into biopharmaceutical preparation products to meet the need of the Company's internationalization strategy, enhance the collaboration of pre-clinical research and clinical research of the Company, and finance the continuous R&D and operation of the Company, which is conducive to the realization of the Company's core development strategy and the sustainable and sound development of production and operation.

**(II) The Purpose of the Issuance**

**1. To enhance the Company's R&D and independent innovation capabilities, and the core competitiveness**

At present, the Company has successfully developed drug candidate portfolios with great market potential. Multiple products have milestone significance: toripalimab, one of our core products, was the first domestic anti-PD-1 monoclonal antibody

approved to be marketed in China by the NMPA, with six indications approved in China, and was granted two Breakthrough Therapies, one Fast Track, one Priority Review and five Orphan-Drug Designations by the FDA for the treatment of mucosal melanoma, NPC, soft tissue sarcoma, esophageal cancer and small cell lung cancer. In addition, the Company has submitted the marketing authorization applications for toripalimab to the FDA, EMA and MHRA, which have been accepted. Tifcemalimab, being independently developed by the Company, was the world's first-in-human anti-tumor anti-BTLA monoclonal antibody, which has obtained IND approvals from the FDA and NMPA and is currently undergoing a series of Phase Ib/II clinical trials in China and the United States. However, the development and commercialization of innovative drugs is highly competitive and subject to rapid and significant technological changes. The Company faces competition from major global pharmaceutical companies and biotechnology companies. It is necessary for the Company to continuously reserve and expand R&D pipeline products, enhance R&D depth and breadth, to provide guarantees for continuous growth and enhancement of core competitiveness.

**2. To expand the production capacity of monoclonal antibody drug substance to avoid the production capacity bottleneck in the future**

TUOYI®–toripalimab injection, being independently developed by the Company coupled with global intellectual property rights, was officially entered into commercial application in February 2019, with six indications approved in China at present. In December 2020, toripalimab injection passed the national medical insurance negotiation for the first time. At present, three indications have been included in the NRDL. In addition, the marketing application for two new indications of toripalimab is accepted by the NMPA; at the same time, the Company has submitted the marketing authorization applications for toripalimab to the FDA, EMA and MHRA. In the future, the Company will have more indications for toripalimab injection to be approved by the NMPA for marketing, and more monoclonal antibody drugs such as JS002, JS004,

JS005, etc. will have completed their clinical trials and approved by the NMPA or FDA for marketing.

The proceeds will be invested in the construction of Junshi Biotech Industrialization Base by the Company to increase the production capacity of monoclonal antibody drug substance and satisfy the market demands for the Company's existing marketed products and products in the clinical stage and to be marketed soon both at home and abroad, which lay a foundation for the global application of the Company's core products and avoid the production capacity bottleneck in the future to limit the development of the Company. Meanwhile, the increase in production capacity of monoclonal antibody drug substance can provide sufficient trial sample for future clinical trials, meet the needs of clinical trials and improve R&D efficiency.

**3. To accelerate the implementation of internationalization strategy to enhance capital strength and enhance anti-risk capabilities**

Through the Issuance, the Company will expand international financing channels, satisfy the development demands of domestic and overseas businesses, and further strengthen the Company's international brand and corporate images to promote its internationalization strategy, so as to lay the foundation for the continuous realization of the global commercial potentials of the Company's product pipelines and the exploration on international cooperation opportunities. In the meantime, equity financing can also enhance the Company's capital strength, optimize the financial structure of the Company, and consolidate sustainable development of the Company in business layout, R&D capabilities, long-term strategies and other aspects, which are beneficial to enhancing the Company's core competitiveness, the ability to resist risks, and provide favorable returns to shareholders and create greater value for society.

## III. Summary of the Issuance Proposal

**(I) Type and nominal value of the Issuance**

The securities under the Issuance are GDRs representing newly issued A Shares of the Company as underlying securities, and are listed on the SIX Swiss Exchange.

The par value of each GDR will be determined based on the Conversion Rate between the issued GDRs and the A Shares as underlying securities. Each GDR represents a corresponding number of A Shares with a par value of RMB1 each, as calculated based on the finalized Conversion Rate.

**(II) Listing place of the securities to be issued**

The GDRs under the Issuance will be listed on the SIX Swiss Exchange.

**(III) Timing of issuance**

The Company will select the appropriate timing and market window to complete the Issuance and admission for listing within the validity period of the general meeting resolution. The specific timing of issuance will be determined by the Board and persons authorized by the Board as authorized at the General Meeting, taking into account the domestic and international capital market condition and the progress of obtaining approval from, registration and filing with the domestic and overseas regulatory authorities.

**(IV) Method of issuance**

The method for issuing GDRs shall be by way of an international offering.

**(V) Size of issuance for Underlying Shares**

Under the framework of the general mandate to issue new A Shares and/or H Shares of the Company as considered and approved at the annual general meeting of the Company, the number of new underlying A Shares represented by the GDRs to be issued by the Company (including securities issued upon the exercise of any over-allotment option, if any) shall be no more than 68,292,200 Shares, representing a

maximum cap of 6.93% and 8.91% of the total share capital of ordinary Shares and A Shares of the Company, respectively, prior to the Issuance.

The number of the new underlying A Shares represented by the GDRs to be issued shall be adjusted correspondingly according to relevant regulations and regulatory approval documents in the event of any changes in the share capital of A Shares of the Company at the time of issuance arising from bonus issue, share split or consolidation and others during the period from the date on which the Issuance is approved by the Board to the issuance date.

The final number of Shares to be issued shall be proposed for determination by the Board and persons authorized by the Board as authorized at the General Meeting in accordance with legal requirements, regulatory authorities' approval and market conditions.

**(VI) Size of GDRs during the duration**

The maximum number of GDRs to be issued by the Company during the duration will be calculated based on the Conversion Rate between GDRs and underlying A Shares and the number of A Shares as underlying securities of GDRs confirmed prior to the issuance. The number of the above-mentioned A Shares shall be no more than 68,292,200 Shares, representing a maximum cap of 6.93% and 8.91% of the total share capital of ordinary Shares and A Shares of the Company, respectively, prior to the Issuance and listing.

The number of Underlying Shares corresponding to the number of portion of GDRs to be issued by the Company during the duration shall not exceed the maximum number approved by the CSRC. The maximum number of GDRs during the duration shall be adjusted correspondingly in the event of any increase or decrease in GDRs arising from the Company's bonus issue, share split or consolidation and adjustment of the Conversion Rate, etc.

**(VII) Conversion Rate between GDRs and underlying A Shares**

The Conversion Rate between the GDRs to be issued and the underlying A Shares shall be determined after comprehensively taking into account various factors such as domestic and overseas regulatory requirements and market conditions, etc.

The Conversion Rate between the GDRs and the underlying A Shares shall be proposed for determination by the Board and persons authorized by the Board as authorized at the General Meeting in accordance with legal requirements, regulatory authorities' approvals and market conditions.

**(VIII) Pricing method**

The price of the Issuance will be determined after due consideration of the interests of existing shareholders of the Company, appetite of investors and risks of issuance, etc., in accordance with international practices, the Provisions on the Supervision and Administration and other relevant regulatory requirements, taking into full account of order demands and results of book-building process, and based on the domestic and overseas capital market conditions at the time of issuance.

In principle, the price of the Issuance as calculated according to the Conversion Rate between the GDRs and the A Shares shall not be lower than 90% of the average closing price of the Underlying Shares during the 20 trading days prior to the Pricing Determination Date, unless otherwise provided by laws and regulations or by the competent regulatory authorities.

**(IX) Target subscribers**

It is intended that the GDRs shall be offered globally to qualified international investors and other investors who are qualified according to relevant regulations.

**(X) Amount and use of the proceeds**

The proceeds from the issuance of GDRs are denominated in USD. The total

proceeds (including issuance expenses) after conversion at the mid-point price of RMB/USD exchange rate as at the Pricing Determination Date shall not exceed RMB3.40 billion (inclusive), and the net proceeds after deducting issuance expenses will be used as follows:

Unit: RMB0'000

| No. | Projects | Proceeds proposed to be invested |
|---|---|---|
| 1 | R&D projects of innovative drugs | 200,000.00 |
| 2 | Construction project of Junshi Biotech Industrialization Base | 40,000.00 |
| 3 | Replenishment of liquidity | 100,000.00 |
| **Total** | | **340,000.00** |

After the proceeds from the Issuance are received, if the actual net proceeds are less that the above proceeds proposed to be invested, the Board of Directors of the Company and its authorized person(s) will, within the above proceeds-funded projects, adjust and finalize the specific investment, order and specific amount of each project of the corresponding proceeds-funded projects according to the actual situation such as the progress of the project and capital needs. The shortfall will be financed by self-owned funds of the Company or other financial means. The Company may, according to the actual situations of the proceeds-funded projects, invest the self-raised funds first before the proceeds of the Issuance are in place, and replace them pursuant to relevant requirement of laws and regulations after the proceeds are in place.

If the total proceeds from the Issuance are to be adjusted due to changes in regulatory policies or the requirements of issuance registration documents, it will be adjusted accordingly.

**(XI) GDRs and underlying A Shares conversion restriction period**

The GDRs to be issued may be converted into the underlying A Shares in compliance with domestic and overseas regulatory requirements. Pursuant to the

requirements of the Provisions on the Supervision and Administration, the GDRs to be issued shall not be converted into domestic A Shares within 120 days commencing from the date of listing. The GDRs subscribed by the Company's controlling shareholders, the de facto controllers and the enterprises under their control shall not be transferred within 36 months commencing from the date of listing.

In order to maintain the liquidity of GDRs and the price stability in both markets, it is proposed that the Board and persons authorized by the Board as authorized at the General Meeting shall determine the matters relating to the determination of the conversion restriction period in light of the prevailing domestic and overseas market conditions and the actual situation of the Company.

**(XII) Arrangement for distribution of accumulated profits**

The undistributed accumulated profits of the Company prior to the listing under the Issuance will be shared among the new and existing shareholders of the Company upon the listing under the Issuance.

**(XIII) Validity period of resolution regarding the Issuance**

The resolution regarding the Issuance shall be valid for 12 months from the date on which the resolution is considered and approved by the General Meeting.

## IV. Whether the Issuance Constitutes a Related Party Transaction

The Company has not yet determined the Target Subscribers, and therefore it is impossible to determine the relationships between target subscribers and the Company. Whether there will ultimately be the subscription for the GDRs under the Issuance by related parties, which will constitute a related party transaction, will be disclosed after the completion of Issuance.

## V. Whether the Issuance Causes a Change in the Control of the Company

Prior to the Issuance, Xiong Fengxiang, Xiong Jun, the controlling shareholders and actual controllers of the Company, and their concert parties Suzhou Ruiyuan Shengben Biological Medicine Management Partnership (LP) (苏州瑞源盛本生物医药管理合伙企业（有限合伙）), Suzhou Benyu Tianyuan Biological Technology Partnership (LP) (苏州本裕天源生物科技合伙企业（有限合伙）), Shanghai Baoying Asset Management Co., Ltd. (上海宝盈资产管理有限公司), Meng Xiaojun, Gao Shufang, Zhuhai Huapu Investment Management Co., Ltd. (珠海华朴投资管理有限公司), Zhao Yun, Zhou Yuqing held a total of 217,835,186 shares of the Company (including 217,832,586 A Shares and 2,600 H Shares), accounting for 22.10% of the total share capital of the Company.

The maximum number of shares under the Issuance is 68,292,200 shares. Upon the completion of the Issuance (only taking into account the change in the number of shares of the Company arising from the Issuance), Xiong Fengxiang, Xiong Jun and their concerted parties still hold 217,835,186 shares (including 217,832,586 A Shares and 2,600 H Shares), accounting for 20.67% of the total share capital of the Company. Xiong Fengxiang and Xiong Jun are still the controlling shareholders and actual controllers of the Company. Therefore, the Issuance will not result in a change in control of the Company.

## VI. Approvals Obtained from the Relevant Competent Authorities for the Issuance and Pending Approval Procedures

The Issuance Proposal and related matters have been reviewed and approved at the twentieth meeting of the third session of the Board of the Company held on 5 June 2023, pending the approvals below:

The Issuance shall still subject to the consideration and approval at the Company's

General Meeting.

The Issuance shall still subject to the review and approval by the Shanghai Stock Exchange.

The Issuance shall still subject to the approval by the CSRC for registration and filing.

The Issuance shall still subject to the approval by the SIX Swiss Exchange.

# Section II Feasibility Analysis on the Use of Proceeds

## I. Plan of Use of Proceeds

The proceeds from the issuance of GDRs by the Company are denominated in USD. The total proceeds (including issuance expenses) after conversion at the mid-point price of RMB/USD exchange rate as at the Pricing Determination Date shall not exceed RMB3.40 billion (inclusive), and the net proceeds after deducting issuance expenses will be used as follows:

Unit: RMB 0'000

| No. | Projects | Proceeds proposed to be invested |
|---|---|---|
| 1 | R&D Projects of Innovative drugs | 200,000.00 |
| 2 | Construction project of Junshi Biotech Industrialization Base | 40,000.00 |
| 3 | Replenishment of liquidity | 100,000.00 |
| **Total** | | **340,000.00** |

After the proceeds from the Issuance are received, if the actual net proceeds are less that the above proceeds proposed to be invested, the Board of Directors of the Company and its authorized person(s) will, within the above proceeds-funded projects, adjust and finalize the specific investment, order and specific amount of each project of the corresponding proceeds-funded projects according to the actual situation such as the progress of the project and capital needs. The shortfall will be financed by self-owned funds of the Company or other financial means. The Company may, according to the actual situations of the proceeds-funded projects, invest the self-raised funds first before the proceeds of the Issuance are in place, and replace them pursuant to relevant requirement of laws and regulations after the proceeds are in place.

If the total proceeds from the Issuance are to be adjusted due to changes in regulatory policies or the requirements of issuance registration documents, it will be adjusted accordingly.

## II. Use of Proceeds

### (I) Basic information of projects

#### 1. R&D projects of innovative drugs

To meet the growing demand of the biopharmaceuticals market, promote the R&D process of the Company's innovative drugs, increase the Company's development potential, and consolidate and further improve the Company's core competitiveness, the Company plans to use proceeds of RMB2,000.00 million for research on innovative drugs. This project will further enrich the Company's pipeline of drug candidates, accelerate the R&D process of drug candidates of the Company, laying the foundation for facilitating the application of the Company's products for marketing both domestically and internationally.

#### 2. Construction project of Junshi Biotech Industrialization

With a view to enhancing the production capacity of the Company, transforming its innovative drug R&D results into biopharmaceutical products available in the market on a large scale, satisfying the market demands for the Company's existing marketed products and products in the clinical stage and to be marketed soon both at home and abroad to avoid the emergence of production capacity bottleneck, the Company intends to expand two production lines of drug substance as well as supporting utility facilities and equipment within its existing plants and workshops, with an intended use of proceeds of RMB400.00 million.

#### 3. Replenishment of liquidity

At present, the Company has three products (TUOYI®, JUNMAIKANG® and MINDEWEI®) with approval for marketing and in the commercialization stage. The marketing application of JS002 is accepted by the NMPA. Bevacizumab is undergoing Phase III pivotal registered clinical trials. The interim analysis of Phase III pivotal

registered clinical research for PARP inhibitor (senaparib) was completed as planned, the marketing application for which is expected to be submitted in the near term. With the gradually increased number of products or indications approved for marketing, the demand for daily working capital thereafter in various aspects such as raw material procurement, operation and management, and product sales will increase significantly. The proceeds of RMB1,000,000,000 from the Issuance will be used to replenish the liquidity, which is conducive to relieving the liquidity pressure that the Company may encounter in the future and promoting the sustainable development of the Company.

**(II) Business prospects of the projects**

The biological innovative drug industry in which the Company operates is a technology-intensive and capital-intensive industry. The development of biological innovative drugs is a long, complex and expensive process that requires many years of research and development, involving medicinal chemistry, molecular and cell biology, crystal physics, statistics, clinical medicine and other fields, with tens of millions to hundreds of millions of dollars invested. The proceeds-funded projects are formulated by the Company based on its judgment on the domestic and foreign market demand for biological innovative drugs and the development trend of biopharmaceuticals research and development, to better grasp the market opportunities brought by the growth of the biopharmaceuticals industry. The Company's expansion in production capacity and further investment in innovative drug R&D are in line with the development trend of the industry. Through the implementation of proceeds-funded projects, the business prospects of the Company's main operations and products are analyzed as follows:

**1. The biopharmaceuticals industry grows year by year**

The domestic demand for biopharmaceuticals has further increased as Chinese residents' economic level and health awareness improve. The Chinese government continues to increase investment in the biological industry. It is expected that the market size of China's biological pharmaceutical industry will continue to grow rapidly. The

biopharmaceuticals market in China reached RMB410.0 billion in 2021. According to Frost & Sullivan's forecast, China biopharmaceuticals market is expected to reach RMB710.2 billion by 2025 and RMB1,199.1 billion by 2030, and the compound annual growth rate (CAGR) from 2025 to 2030 is expected to be 11.0%.

The global biopharmaceuticals market has grown from US$239.6 billion in 2017 to US$338.4 billion in 2021 at a CAGR of 9.0% from 2017 to 2021. Due to expansion of patient base and improvement of payment capacity and other factors, the future growth rate of the biopharmaceuticals market will be much higher than that of the chemical pharmaceuticals market in the same period. According to Frost & Sullivan's forecast, the global biopharmaceuticals market is expected to reach US$541.1 billion by 2025 and US$814.8 billion by 2030, and the CAGR from 2025 to 2030 is expected to be 8.5%.

**2. Policies encourage and promote replacement by domestic innovative drugs**

The overall innovative drug market currently accounts for about 7.3% of the domestic public pharmaceutical terminal market with much room for improvement compared with the proportion of the pharmaceutical market in developed regions such as Europe, America and Japan. As the drug review, industrial environment (financing channels, CROs, CMOs) and payment terminal (medical insurance payment, commercial insurance) environment that closely related to innovative continues to improve, the overall market potential for innovative drugs will maintain rapid growth in the future.

As an innovation-driven biopharmaceutical company, the Company will, through the implementation of the proceeds-funded projects, promote the R&D process of drug candidates of the Company, enrich the pipeline of drug candidates, enhance the R&D capabilities for innovative drugs, improve the production capacity of innovative biopharmaceuticals to better meet the strong market demand.

**3. Expanding the production capacity of monoclonal antibody drug substance to solve the production capacity bottleneck in the future**

TUOYI®–toripalimab injection, being independently developed by the Company coupled with global intellectual property rights, was officially entered into commercial application in February 2019, with six indications approved in China at present. In December 2020, toripalimab injection passed the national medical insurance negotiation for the first time. At present, three indications have been included in the NRDL. The marketing application for two new indications of toripalimab is accepted by the NMPA; at the same time, the Company has submitted the marketing authorization applications for toripalimab to the FDA, EMA and MHRA. In the future, the Company will have more indications for toripalimab injection to be approved by the NMPA for marketing, and more monoclonal antibody drugs such as JS002, JS004, JS005, etc. will have completed their clinical trials and approved by the NMPA or FDA for marketing. The implementation of the proceeds-funded projects can satisfy the market demands for the Company's existing marketed products and new products in the clinical stage and to be marketed soon, which lay a foundation for the global application of the Company's core products and avoid the emergence of the production capacity bottleneck.

**(III) Relationship with existing business or development strategy**

As an innovation-driven biopharmaceutical company, the Company is primarily engaged in innovative drug discovery, clinical research and development, and large-scale manufacture and commercialization worldwide. The Company's innovative R&D field has expanded from the monoclonal antibody drugs to small molecule drugs, peptide drugs, antibody drug conjugates (ADCs), bispecific or multi-specific antibody drugs, nucleic acid drugs and other types of drugs as well as to the exploration of next-generation innovative treatments for cancer and autoimmune diseases. The proceeds-funded projects are closely related to the Company's main business, is the improvement and expansion of the Company's existing business and lay a solid foundation for the Company to achieve its medium and long-term strategic development goals.

Along with the continuous expansion of the international strategic layout of the Company, the Company shall make full use of the “markets and resources” both at home and abroad to invest in the main business fields of pipeline R&D and commercialized production, so as to continuously promote the global commercial layout for the products of the Company. The completion of the proceeds-funded projects will not cause major changes in the current R&D, procurement, production, sales and other production and operation models of the Company. Along with the completion of each fundraising project, the Company's innovative drug R&D process will be further accelerated, the drug product pipeline of drug candidates enriched, R&D capacities enhanced, production capacity of key products improved, and the Company's core competitiveness will be strengthened. Among them, R&D projects of innovative drugs will speed up the Company's innovative drug R&D process, expand the breadth and depth of clinical trials of the Company's drugs candidates, and lay the foundation for the Company to commercialize more products; The construction project of Junshi Biotech Industrialization will further expand the product production capacity of monoclonal antibody drug substance for the Company, which will avoid the emergence of the production capacity bottleneck, satisfy the increasing market demands and lay a foundation for the global application of the Company’s core products. The project for replenishment of liquidity is conducive to relieving the liquidity pressure that the Company may encounter in the future and promoting the sustainable development of the Company.

**(IV) The Company's implementation ability**

**1. Rich innovative drug R&D technology reserves**

The Company is an innovation-driven biopharmaceutical company with all-round capabilities from innovative drug discovery, clinical R&D on a global scale, large-scale production capacity to commercialization on the full industry chain. The Company's mission is to provide patients with better efficacy and more cost-effective treatment

options. The Company has established a complete technical system covering the entire process of protein drugs from the early stage of R&D to the stage of industrialization, including multiple key technology platforms: (1) Automated High-efficiency Screening Platform for Antibody Selection and Functional Assays, (2) Human transmembrane Receptor Protein Array and High-throughput Screening Platform, (3) Antibody Humanization and Construction Platform, (4) High-Yielding Stable Expression Cell Lines Screening and Establishment Platform, (5) CHO Cell Fermentation Process Development Platform, (6) Antibody Purification Process Development and Formulation Optimization Platform, (7) Antibody Quality Research, Control and Assurance Platform, (8) Antibody Drug Conjugate R&D Platform, (9) siRNA Drug R&D Platform, and (10) TwoGATE™.

Through continuous independent innovation, the Company has formed a rich technical reserve. As of 31 March 2023, the Company has developed more than 50 pipelines of drug candidates of which includes multiple "original innovative" target drugs. The Company has excellent innovative drug discovery capabilities, strong biotechnology R&D capabilities and a rapidly expanding portfolio of drug candidates with tremendous market potential. Multiple products have milestone significance: toripalimab, one of our core products, was the first domestic anti-PD-1 monoclonal antibody approved to be marketed in China by the NMPA, with six indications approved in China. The marketing application for two new indications of toripalimab is accepted by the NMPA; at the same time, the Company has submitted the marketing authorization applications for toripalimab to the FDA, EMA and MHRA, which have been accepted. Tifcemalimab, being independently developed by the Company, was the world's first-in-human anti-tumor anti-BTLA monoclonal antibody, which has obtained IND approvals from the FDA and NMPA and is currently undergoing a series of Phase Ib/II clinical trials in China and the United States. With the continuous diversification of product pipelines and the further exploration in drug combination treatment, the Company's innovative field has continuously expanded to the R&D of more types of

drugs, including small molecule drugs, peptide drugs, antibody drug conjugates (ADCs), bispecific or multi-specific antibody drugs and nucleic acid drugs as well as the exploration of next-generation innovative therapies for cancer, autoimmune diseases and etc.

Overall, the Company has established a comprehensive technology system covering multiple technical innovation platforms, has formed a rich technical reserve, has the ability and experience in the whole production chain of R&D of innovative biopharmaceuticals, and can convert technological achievements into commercial products.

**2. Innovative drug R&D talent pool with rich experience and excellent skills**

The R&D team of the Company boasts profound professional knowledge, rich experience in the industry and strong R&D capabilities. A professional R&D department is specially established by the Company for new drug R&D, so as to manage drug discovery, process development, pre-clinical research, as well as R&D across the entire industry chain of clinical trials. Dr. NING LI, the general manager of the Company, held various positions at the FDA. He successively served as a senior director, assistant vice president and vice president of registration and medical policy of Sanofi Global R&D, Bridgewater, New Jersey. He was a part-time professor at Johns Hopkins University in the US, a guest professor at the Clinical Research Institute of Peking University and a part-time professor at the Medical Informatics Center of Peking University; Dr. Zou Jianjun, the deputy general manager and global research and development president of the Company, successively served as the medical manager of the China Research and Development Department and the head of the oncology therapeutic team of Bayer Pharmaceuticals in German, and the head of global medical affairs at the United States headquarters of Bayer Pharmaceuticals in New Jersey, the head of China Medical Affairs at Celgene Pharmaceuticals in the United States, and the chief medical officer and deputy general manager at Jiangsu Hengrui Pharmaceutical

Co., Ltd.; Dr. SHENG YAO, the Company's deputy general manager and core technical personnel, was an assistant researcher in the laboratory of Professor LIEPING CHEN at the School of Medicine of Johns Hopkins University, a researcher at the School of Medicine of Yale University, and a senior scientist at Amplimmune Inc., a subsidiary of AstraZeneca; Dr. Feng Hui, a core technical personnel of the Company, worked at Albert Einstein College of Medicine in the United States and was a scientist of HumanZyme Inc., as well as a scientist of MedImmune Inc. (a subsidiary of AstraZeneca plc); Mr. Zhang Zhuobing, the Company's deputy general manager and a core technical personnel, used to serve as a researcher of Viron Therapeutics Inc. in Canada, a deputy director of the Institute of Biopharmaceuticals of Nanjing Simcere Pharmaceutical Research Institute and other positions; Dr. GANG WANG, the Company's deputy general manager, was a senior policy advisor, an assistant officer at the office in China, a senior auditor and a lead inspector of the FDA, and served as the chief scientist of the Center for Drug Evaluation of CFDA for compliance and inspection from 2017 to 2018; Dr. Patricia Keegan, the Chief Medical Officer of the Company, was a medical review officer of the Office of Oncology Drug Products, the deputy chief of the Division of Clinical Trials Design and Analysis, the director of the Office of Oncology Drug Products, an associate director of Oncology Center for Excellence (OCE) of FDA, among others.

Overall, the Company's core management have rich experience in the field of biotechnology and innovative drugs, served major Chinese and foreign research institutions, pharmaceuticals regulatory departments and multinational pharmaceutical companies, lead or participate in the preliminary R&D, clinical trials, process development and review of various innovative drugs.

**3. Mature experience in production techniques**

The Company currently has two production bases in Wujiang, Suzhou and Lingang, Shanghai. Among which, the Wujiang Production Base in Suzhou has

obtained GMP certification and is used to support the production of drug substance for the Company's marketed products and the production of clinical trial drugs in and out of China of other drug candidates. The Lingang Production Base in Shanghai was constructed in accordance with the CGMP standard, with current production capacity of the first phase of the project reaching 42,000L. With the commissioning and operation of the first phase of the Wujiang Production Base and Lingang Production Base in Shanghai, the Company has accumulated mature experience in production techniques for monoclonal antibody, conducted sufficient practice on pharmaceutical quality management system, and cultivated a pool of experienced technical and management personnel.

**4. Strict management of intellectual property rights**

The Company and its employees handle IPR affairs in strict accordance with international IPR rules, and regard intellectual property rights as the strategic resources of its development and the core element of international competitiveness. The Company has a patent department responsible for the application for and maintenance of domestic and foreign patents. The patents of the Company cover the protein structure, preparation process, use and formulation of new drugs, which not only provides sufficient and long-term patent protection for products of the Company, as well as sufficient technical support for the implementation of the proceeds-funded projects.

**(V) Solutions for funding shortage**

Before the proceeds from the Issuance are received, the Company may, according to the actual situation of the proceeds-funded projects, invest the self-raised funds first, and replace them after the proceeds are in place. Once the proceeds are received, if the actual net proceeds after deducting the issuance expenses is less than the total amount of proceeds to be invested, the shortfall will be financed by the self-raised funds of the Company.

## III. Proceeds-funded Projects Involving Project Establishment, Land, Environmental Protection and Other Relevant Examination, Approval and Filing Matters

### (I) Acquisition of the land use rights

The construction project of Junshi Biotech Industrialization is constructed in the existing production base of the Company without any involvement of new land acquired and new factory constructed. The R&D project of innovative drugs and the project of replenishment of liquidity do not involve any land for project use.

### (II) Project filing

The construction project of Junshi Biotech Industrialization was filed in December 2021, with Shanghai code of 310120MA1HL4KH620211D2203002 and national code of 2112-310120-04-02-912535. The R&D project of innovative drugs and the project of replenishment of liquidity do not include any fixed asset investment and do not fall into the scope of project approval or filing.

### (III) Filing of environmental impact assessment

The construction project of Junshi Biotech Industrialization has obtained the approval with issuing number of "HZMLGHBXP [2022] No. 13 (沪自贸临管环保许评[2022]13 号)" on 28 February 2022. The R&D project of innovative drugs and the project of replenishment of liquidity do not include any fixed asset investment and do not require any filing procedures of environmental impact assessment.

## IV. Proceeds Invested in the Field of Technological Innovation

### (I) The proceeds serve the real economy, conform to the national industrial policy,

**and are mainly invested in the field of technological innovation**

The projects invested with the proceeds include the R&D of innovative drugs, the construction of Junshi Biotech Industrialization and replenishment of liquidity. Through the implementation of the projects, it will further promote the R&D process of the Company's drug candidates, enrich the pipelines of drug candidates, enhance the R&D capability and increase the production capacity for main products, guaranteeing the realization of the industrialization of innovative drug product systems with "TUOYI®" serving as the core product by the Company, so as to continuously enhance the technological strength of the Company.

The biopharmaceuticals industry is a national strategic emerging industry, among which, the R&D, industrialization and quality upgrading of biopharmaceuticals focusing on antibody drugs, recombinant protein drugs and new vaccines are important pillars for the realization of a healthy China. Compared with chemical pharmaceuticals, biopharmaceuticals have higher efficacy and safety with less side effects and toxicity. Due to their structural diversity and the ability to selectively bind to targets and to better interact with proteins and other molecules, biopharmaceuticals may be used to treat a variety of medical conditions for which there is a lack of available therapies.

With the excellent efficacy of biopharmaceuticals, the remarkable development of the biotechnology and the increasing investment in the R&D, the global biopharmaceutical market has grown from US$239.6 billion in 2017 to US$338.4 billion in 2021, with a CAGR of 9.0%. With the expiration of some "blockbuster" monoclonal antibody drug patents, the rapid development of biosimilars and the rise of tumor immunotherapy, the scale of global biopharmaceutical market is expected to reach US$541.1 billion by 2025 and US$814.8 billion by 2030, with an expected CAGR of 8.5% from 2025 to 2030.

China's biopharmaceutical market is still in the early stage of development, but has strong growth potential. In 2021, the scale of China's biopharmaceutical market reached RMB410.0 billion. With the improvement of affordability, the growth of the patient group and the expansion of medical insurance coverage, the scale of China's

biopharmaceutical market is expected to further expand to RMB710.2 billion by 2025 and RMB1,199.1 billion by 2030, with an expected CAGR of 11.0% from 2025 to 2030.

The Company is an innovation-driven biopharmaceutical company with all-round capabilities from innovative drug discovery, clinical R&D on a global scale, large-scale production capacity to commercialization on the full industry chain. Through excellent innovative drug discovery capabilities, strong biotechnology R&D capabilities and the large-scale production technology, the Company has successfully developed a drug candidate portfolio with tremendous market potential. Multiple products have milestone significance: toripalimab, one of our core products, was the first domestic anti-PD-1 monoclonal antibody approved to be marketed in China by the NMPA, with six indications approved in China. The marketing application for two new indications of toripalimab is accepted by the NMPA; at the same time, the Company has submitted the marketing authorization applications for toripalimab to the FDA, EMA and MHRA, which have been accepted. Tifcemalimab, being independently developed by the Company, was the world's first-in-human anti-tumor anti-BTLA monoclonal antibody, which has obtained IND approvals from the FDA and NMPA and is currently undergoing a series of Phase Ib/II clinical trials in China and the United States. With continuously enriched product pipeline and further exploration of drug combination therapies, the Company's innovation field has continued to expand to R&D of small molecules, peptide drugs, antibody drug conjugates (ADCs), bispecific or multispecific antibody drugs, nucleic acid drugs and other types of drugs as well as to the exploration of next-generation innovative treatments for cancer and autoimmune diseases.

The biopharmaceutical industry in which the Company operates is a national strategic emerging industry. Through the implementation of the proceeds-funded projects, on the one hand from the perspective of hardware facilities and capital reserves, it will support the expansion of the pipelines of drug candidates and promote the R&D process of drug candidates, so as to maintain and improve the Company's core competitiveness in the field of innovative biopharmaceuticals as well as enhance the Company's technological innovation level; on the other hand, it will help to expand the

production capacity of monoclonal antibody drug substance for the Company and guarantee the realization of the industrialization of innovative biopharmaceutical product systems with "TUOYI®" serving as the core product by the Company, to avoid the emergence of production capacity bottleneck and lay a foundation for the global application of the Company's core products.

The proceeds of the Company will not be used for financial assets held for trading and available-for-sale financial assets, lending to others, entrusting wealth management and other financial investments and quasi-financial businesses.

**(II) Proceeds-funded projects promote the Company's technological innovation level**

The innovative biopharmaceutical industry is a technology-intensive industry. The development of innovative drugs is a long, complex and expensive process that requires several years of R&D, involving various fields such as medicinal chemistry, molecular and cell biology, crystal physics, statistics and clinical medicine and the investment of tens of millions to hundreds of millions of United States dollars, and the construction cost of large-scale biopharmaceutical manufacturing facilities is hundreds of millions of United States dollars. Therefore, maintaining high-intensity R&D investment is the key to maintaining the Company's core competitiveness.

With the efforts of the R&D team for many years and continuous R&D investment, the Company has successfully developed a drug candidate portfolio with tremendous market potential and achieved the launch and commercial production of toripalimab, accumulating the rich experience from innovative drug discovery, development, clinical research and large-scale production to commercialization and strong R&D technology reserves.

In the future, the Company will continue to ensure the intensity of R&D investment in order to maintain and improve the Company's technological innovation level. Investment in the R&D project of innovative drugs will provide necessary

funding support for facilitating the R&D process of drug candidates and enriching the R&D pipelines of drug candidates. The construction project of Junshi Biotech Industrialization will guarantee that the Company's scientific and technological innovation achievements transform into commercialized products in a timely manner, which will guarantee the global application of the Company's core products. The project of replenishment of liquidity will be conducive to relieving the liquidity pressure that the Company may encounter in the future and promoting the sustainable development of the Company.

# Section III Discussion and Analysis by the Board in Relation to the Impact of the Issuance on the Company

## I. Business and Asset Integration Plan, Amendments to the Articles of Association, and Changes in the Structures of Shareholders, Senior Management and Businesses of the Company Upon the Issuance

### (I) Whether there will be integration plans for the businesses and assets of the Company after the Issuance

After the completion of the Issuance, the Company will not have a significant business and asset integration plan. The Issuance is centered on the existing main business of the Company. There will be no significant changes in the business structure of the Company. The Company's internationalization strategy will be steadily advanced and the research and development of drug candidates will be further accelerated. The commercial production capability will be further improved. The main business will also be further strengthened.

### (II) Impact of the Issuance on the Articles of Association

Upon the completion of the Issuance, the total share capital of the Company will increase accordingly, and the Company will amend provisions of the Articles of Association in relation to the GDRs and its related underlying A Shares according to the actual conditions of the Issuance, and go through procedures for industrial and commercial change. Except for the above, the Issuance will not have an impact on the Articles of Association.

### (III) Impact of the Issuance on the shareholder structure

Upon the completion of the Issuance, there will be changes in the size of the share capital, the shareholder structure of the Company and the shareholding percentages in

the Company, and the Issuance will not result in any change of the controlling shareholders and actual controllers of the Company.

**(IV) Change of the senior management structure of the Company upon the Issuance**

After the completion of the Issuance, no senior management of the Company will be changed due to the Issuance.

**(V) Impact of the Issuance on the business structure of the Company**

After the completion of the Issuance, the Company's main business will continue to be the discovery, development, clinical study, production and commercialization of innovative biopharmaceuticals, and there will be no significant changes in the business structure of the Company, and its profitability will be improved.

## II. Changes in the Financial Position, Profitability and Cash Flow of the Company Upon the Issuance

**(I) Impact of the Issuance on the financial position of the Company**

Upon the completion of the Issuance, there will be a significant increase in the total assets and net assets of the Company, further enhancement of the capital strength of the Company and a more reasonable structure of assets and liabilities of the Company, which are beneficial to enhancing the Company's ability to safeguard against financial risks, providing good guarantee for the long-term sustainable development of the Company.

**(II) Impact of the Issuance on the profitability of the Company**

After being received, the proceeds will represent long-term development funds for the development of the Company's main business. With the further improvement and expansion of the Company's main business, the Company's profitability and results of

operations will be significantly improved.

**(III) Impact of the Issuance on the cash flow of the Company**

After the Issuance, with the receipt of the proceeds, the cash inflow from financing activities of the Company will increase significantly; with the implementation of the proceeds-funded projects and the generation of benefits, there will be increases in the cash outflow from investment activities and the cash inflow from operating activities in the future; with the expansion of the Company's overseas approach, the Company's profitability and operating conditions will be improved, the overall cash flow of the Company will be further optimized.

## III. Changes in Business Relations, Management Relations, Related Party Transactions and Horizontal Competitions Between the Company and the Controlling Shareholder and Its Connected Persons Upon Completion of the Issuance

Upon the completion of the Issuance, there will be no changes of controlling shareholders and actual controllers, or horizontal competitions between the Company and the controlling shareholders and its connected persons. The Company will ensure that it operates in accordance with laws and the rights and interests of the Company and other shareholders are protected from the impact, in strict compliance with the regulations, rules and policies of the CSRC, the HKEX, the SSE and the Swiss Exchange on related party transactions of listed companies. The Issuance will be considered by the Board of Directors and the General Meeting of the Company in strict accordance with the prescribed procedures, and subject to the obligation to disclose information in a true, accurate, complete and timely manner.

## IV. Whether the Funds and Assets of the Company Will be Embezzled by the Controlling Shareholder and Its Connected Persons or the

## Company Will Provide a Guarantee for the Controlling Shareholder and Its Connected Persons After the Completion of the Issuance

After the completion of the issuance, the Company will not have the funds and assets embezzled by the controlling shareholder or its connected persons, or provide a guarantee for the controlling shareholder and its connected persons in violation of rules.

## V. Impact of the Issuance on the Liabilities of the Company

After the completion of the Issuance, the Company's asset-liability ratio will decrease, and there is no significant increase in liabilities (including contingent liabilities) through the Issuance. The structure of assets and liabilities of the Company will be more reasonable and the Company's ability to safeguard against financial risks will be further enhanced, which is in the interests of all shareholders of the Company.

## VI. Risks in Relation to the Issuance

In evaluating the Issuance of the Company, investors shall, in addition to other information provided in the Proposal, give special and careful consideration to the following risk factors:

### (I) Market competition risks

In recent years, pharmaceutical enterprises have raised funds more rapidly. Innovative drugs are the key research and development direction of pharmaceutical enterprises. In the future, the product upgrade will be accelerated. The faster product iteration will lead to a certain risk of losing the leading position for products that previously have clinical advantages in research and development and registration. Increased competition may lead to a significant decline in product prices and greater difficulty in marketing. This puts greater demands on the Company's ability to carry out drug research and development and registration. If the Company cannot develop

competitive innovative products or reasonably arrange the clinical trial progress of subsequent product pipelines, the Company will lag behind the competition in the market.

**(II) Risk of research and development of new drugs**

Drug research and development feature high investment, high risk and long cycle. Domestic and foreign pharmaceutical authorities have strict regulations on pre-clinical study, pharmaceutical study, clinical trial, registration and other processes for approval of new drugs.

Although the Company is actively promoting the clinical progress of the innovative projects under research and improving the success rates of product candidates, drug research and development are still subject to risks of lower-than-expected clinical implementation effect, longer research and development cycle, failure to obtain the approval of relevant competent authorities, the listing date later than the planned date, and lower-than-expected sales volume after the listing.

**(III) Industry policies and regulatory risks**

The pharmaceutical research and development industry is subject to strict regulation, and regulatory authorities generally supervise the pharmaceutical research and development industry by formulating relevant policies and regulations. With the continuous deepening of the medical and health system reform and the gradual improvement of the social medical security system of China, regulatory authorities may formulate and adjust laws, regulations or policies from time to time according to the market development. In addition, the negative events in the pharmaceutical industry and the media's negative partisan publicity on relevant matters in the pharmaceutical industry may cause regulatory authorities to implement more stringent regulatory measures for the pharmaceutical industry. The failure of the Company to adjust its operating strategy in a timely manner in response to relevant industry policies, industry

regulations and the regulatory environment becoming stricter may have a potentially adverse impact on the Company's operation.

**(IV) Risks of marketing of new drugs**

After the approval of research and development of new drugs, they will be subject to market expansion and academic promotion, before they can be more widely accepted by doctors and patients. Therefore, if the Company's products are not effectively recognized by the market and fail to adapt to the changing market environment due to bottlenecks in market development and academic promotion after marketing of new drugs, or the failure of the marketing and commercialization team to work effectively, or unknown scientific risks, there may be certain risks to the Company in recovering the costs of research and development of new drugs and achieving economic benefits.

In addition, even if the Company's drugs are successfully developed and commercialized in the future and are recognized by the market, the sales of the Company's products may be adversely affected by products with greater market acceptance in terms of efficacy, price, quality, etc. which are approved for marketing, thus affecting the financial position and results of operations of the Company.

**(V) Risk of operating business overseas**

The Company cooperates with outstanding domestic and foreign pharmaceutical companies and scientific research institutes in the R&D and commercialization of a number of products, while proactively positioning ourselves overseas to expand the international strategic layout. During the Reporting Period, the pace of toripalimab, being a core product of the Company, going global accelerated, and a number of cooperation and marketing applications were underway. The global commercialization layout of the Company began to expand to America, Europe, Middle East, North Africa, Southeast Asia and other regions.

In the meantime, the Company will be subject to the adverse effects of a number of factors associated with business operation overseas, including: changes in a specific country's or region's political and cultural climate or economic condition; changes in laws and regulatory requirements in local jurisdictions; difficulties in effectively

implementing contractual terms in local jurisdictions; various opinions of local governments and regulatory authorities on clinical trials, drug sales and related management arrangements of the Company; import and export licensing requirements; impact of applicable local tax regimes; significant adverse changes in local currency exchange rates; implementation of trade protectionism in certain countries or regions, and other circumstances.

**(VI) Risks of persistently negative results and short-term failure to distribute dividends in cash**

The Company is a company in the bio-pharmaceutical industry, which is listed under the fifth listing standard, with most of the products of the Company under research and development and relatively large research and development expenditures, and without generating profits. The amount of the Company's net losses in a certain period in the future will depend on the number and scope of its drug research and development projects, costs in relation to the projects, costs of commercialized production of approved products, and the profitability of the Company, etc. If the Company fails to complete clinical trials or obtain approval of regulatory authorities for its drug candidates, or its drug candidates cannot be recognized by the market or commercialized, the Company may never be profitable; even if the Company is able to make profits in the future, it may not be able to make profits consistently and may be subject to the risk of persistently negative results and short-term failure to distribute dividends in cash.

**(VII) Risks of leakage of core technologies and loss of R&D and technical personnel**

The Company has a complete technical system covering the entire life cycle of protein drugs from early research and development to industrialization. The core technologies of the Company are of irreplaceable importance. Despite the protection through judicial procedures, the leaking of core technologies of the Company will cause the Company to invest considerable human, material and financial resources, which will also adversely affect the operation of the Company and the research and development of its new products in the future.

Meanwhile, with the continuous development of the bio-pharmaceutical industry, the competition among enterprises for talents is intensifying. Maintaining the stability of the technical team and attracting more outstanding technical personnel are the important foundation for the Company to maintain its technological innovation advantages in the long term and to strengthen its development potential in the future. If the Company loses a large number of core R&D personnel, such loss may lead to the postponement and cessation of certain projects under research, or the failure to further develop new investigational products, thus adversely affecting the Company's long-term sustainable development.

**(VIII) Risks of dilution of current returns as a result of the Issuance**

Upon the completion of the Issuance, there will be an increase in the total share capital and net assets of the Company, and it will take a while to use the proceeds and for implementation. According to the calculation in "Section V I. Impact of Dilution of Current Returns as a Result of Issuance on Main Financial Indicators of the Company" of the Proposal, the Issuance may not result in the dilution of earnings per share of the Company. However, once there are material changes in the assumed conditions in this section or the operating conditions of the Company, the possibility of dilution of current returns as a result of the Issuance cannot be ruled out, and the Company is still subject to the risk of dilution of current returns as a result of the Issuance.

**(IX) Audit and issuance risks**

The Issuance is conditional upon an application made by the Company to the SSE for the registration of issuance of new underlying A Shares. The application is subject to approval by the SSE, and the consent of the CSRC for registration. There are uncertainties as to whether and when the SSE will grant its approval, whether and when the CSRC will consent to the registration.

In addition, the Issuance is subject to the review and approval by relevant security regulatory departments in Swiss and shall be filed with the CSRC. There are uncertainties as to whether and when the relevant security regulatory departments in Swiss will finally approve, whether and when the CSRC will approve. Meanwhile, the

Issuance Proposal is to raise proceeds by issuing GDRs in the Swiss Exchange. The intention and ability of investors to subscribe for shares are affected by various internal and external factors including the overall situation of the securities market, the trend of the Company's share price, the degree of investors' recognition of the Issuance Proposal and funds in the market, and there is a risk of insufficient proceeds.

**(X) Risk of failure to issue**

Pursuant to the relevant requirements of Article 105 under the Provisional Measures for Depository Receipts, the overseas issuance and listing of global depository receipts by listed companies with their domestic new shares as the underlying shares shall comply with "the average market capitalization of the listed company in A Shares calculated based on the closing prices for 120 trading days prior to the date of application for the issuance shall not less than RMB20.0 billion". If the price of the Company's Shares experiences a significant decrease prior to the date of application for the Issuance, the Company will expose to the risk of failure to satisfy the criterion of market capitalization for issuance.

**(XI) Risk of GDR price fluctuations**

The market price of the GDRs after the Issuance depends on the operating conditions of the Company and is influenced by various factors including the national economic policy, economic cycle, inflation, the supply and demand conditions of the share market, the occurrence of major natural disasters, and psychological expectations of investors. As a result, the price of the GDRs of the Company is subject to uncertainties and may fluctuate due to the above risk factors, which may directly or indirectly create uncertainties as to investment returns for investors. In addition, settlement of redemptions of Global Depositary Receipts through designated brokers (who sell the underlying A Shares on the Shanghai Stock Exchange) may be conducted on either a two-day rolling basis or a three-day rolling basis (the settlement period may be somewhat longer than the normal two-day rolling basis), and price fluctuations may

increase the risk of failure of transactions.

In terms of offering, the stabilizing manager (or person acting for the stabilizing manager) may over-allocate Global Depositary Receipts or effect transactions (if such arrangement is made) so that the market price of the Global Depositary Receipts is maintained at a level higher than that which might otherwise prevail in the open market. However, the Company gives no assurance that the stabilizing manager (or person acting for the stabilizing manager) will undertake stabilization actions. As a result, there is uncertainty as to the commencement of stabilization activities at the time of the offering, which will result in an increased risk of fluctuations in the price of the GDRs subsequent to the offering.

# Section IV Profit Distribution Policy of the Company and Implementation

## I. Profit Distribution Policy of the Company

In order to further standardize the dividend distribution of the Company, cause the Company to establish a scientific, continuous and stable dividend distribution mechanism, and protect the legitimate rights and interests of small and medium-sized investors, according to the Notice on Further Implementation of Matters in Relation to Distribution of Dividends in Cash by Listed Companies (ZJF [2012] No. 37), the actual situation of the Company, and relevant requirements including the Regulatory Guidelines for Listed Companies No. 3 - Distribution of Dividends in Cash by Listed Companies (CSRC Announcement [2022] No. 3), the Company previously formulated the provisions of the Articles of Association in relation to profit distribution policies and formulated the Next Three-Year Shareholder Dividend Return Plan (2023-2025), which was considered and approved at the twentieth meeting of the third session of the Board of Directors.

The specific terms of the latest Articles of Association in relation to profit distribution policies are as follows:

"(I) Dividend distribution principle

The Company shall fully consider and hear the opinions of shareholders (especially minority shareholders) and independent directors; properly handle the relationship between short-term interests and long-term development. The profit distribution by the Company shall not damage the Company's ability to continue as a going concern. The Company shall persist in the distribution of dividends mainly in cash, pay attention to the reasonable return on investment to investors, maintain the continuity and stability of profit distribution, and comply with the relevant provisions

of laws and regulations.

(II) Profit distribution methods

Subject to the profit distribution principle, the Company may distribute dividends in cash or in shares or both, with priority given to the distribution of dividends in cash. If the conditions for distribution of cash dividends are met, dividends shall be distributed in cash, in profit distribution.

(III) Decision-making mechanisms and procedures for profit distribution

The Company's profit distribution plan is formulated by the Board of Directors in comprehensive consideration of the Company's actual operating conditions, future profitability, operation and development plan, cash flow, shareholder returns, private capital costs, external financing environment and other factors. In formulating an annual or interim profit distribution plan, the Board of Directors shall carefully study and demonstrate the timing, conditions and minimum proportion, the conditions for adjustment and the requirements for decision-making procedures of the Company's cash dividend distribution, which require approval by a majority of votes of all directors and all independent directors. The independent directors shall express their independent opinions on the profit distribution plan and disclose the same in a timely manner. The independent directors may solicit opinions from minority shareholders and put forward dividend distribution proposals and submit them directly to the Board of Directors for consideration. If the Company is profitable in the year but a profit distribution plan including cash dividends is not proposed at the annual meeting of the Board of Directors, the independent directors shall express their independent opinions, and the Company shall disclose the reasons, plans and arrangements for the use of the retained funds of the Company.

If it is not possible to determine the profit distribution plan for the year according to the established cash dividend policy or the minimum cash dividend proportion under

special circumstances, the specific reasons and the clear opinions of the independent directors shall be disclosed in the annual report; in such case, the Company's profit distribution plan for the year shall be subject to approval by more than two thirds of the voting rights held by the shareholders present at the General Meeting.

After being considered and approved by the Board of Directors, the profit distribution plan shall be submitted to the General Meeting for consideration and approval. The profit distribution plan proposed by the Board of Directors shall be voted on at the General Meeting in accordance with laws and regulations. Before the consideration of the specific plan for cash dividend distribution at the General Meeting, the Company shall communicate with shareholders, especially minority shareholders, through various channels, fully hear the opinions and demands of minority shareholders, and answer the concerns of minority shareholders in a timely manner. The dividend distribution plan requires approval by a majority of the voting rights held by shareholders or their proxies present at the General Meeting.

In the case of distribution of profits in shares, there shall be real and reasonable factors including the growth of the Company and the dilution of net assets per share. The distribution of dividends in shares may be carried out alone or in conjunction with the distribution of cash dividends. Distribution by the Company of dividends in cash and in shares is subject to consideration and approval by way of a special resolution at the General Meeting of the Company.

(IV) Conditions, proportions and timing of cash dividend distribution

Cash dividend distribution by the Company is subject to the following conditions:

(1) The distributable profit of the Company for the year (i.e., the profit after tax remaining after the Company makes up for the loss and makes contribution to the provident funds) is positive;

(2) The distribution does not exceed the total distributable profits of the Company;

(3) The auditor issues a standard unqualified audit report on the financial report of the Company for the year;

(4) The Company has no plans for significant external investments or cash disbursements (except for the proceeds-funded projects).

"Significant investment plan or significant cash disbursement" means the total cost of the Company's proposed external investment, acquisition of assets or purchase of equipment in the next 12 months reaching or exceeding 30% of the most recent audited total assets of the Company, and RMB50 million.

Subject to the above cash dividend conditions, the Board of Directors of the Company shall determine the proportion according to the following requirements, in comprehensive consideration of factors including industry characteristics, development stage, business model, profitability and whether there are significant capital expenditure arrangements, and propose differentiated cash dividend policies according to the procedures specified in the Articles of Association:

(1) If the Company is at the mature stage of development without significant capital expenditure arrangements, the minimum proportion of cash dividends distributed shall be 80%, in profit distribution;

(2) If the Company is at the mature stage of development with significant capital expenditure arrangements, the minimum proportion of cash dividends distributed shall be 40%, in profit distribution;

(3) If the Company is at the growth stage of development with significant capital expenditure arrangements, the minimum proportion of cash dividends distributed shall be 20%, in profit distribution;

(4) If it is difficult to determine the Company's stage of development but there are significant capital expenditure arrangements, the preceding paragraph shall apply.

If a shareholder uses funds of the Company in violation of rules, the Company shall reduce the dividends distributed to the shareholder, so as to compensate for the funds used by the shareholder.

The profit distributed by the Company in cash each year shall not be less than 20% of the distributable profit for the year, and the total profit distributed in cash for the last three years shall not be less than 30% of the average annual distributable profit for the last three years.

If possible, the Board of Directors of the Company may, as permitted by relevant regulations, propose an interim cash dividend based on the profitability of the Company.

(V) Adjustment mechanisms for profit distribution policies

The Company will carefully demonstrate the adjustment of its profit distribution policy according to changes in actual conditions including production and operation, capital needs and long-term development. The adjusted profit distribution policy shall be based on the principle of safeguarding rights and interests of shareholders and shall not violate relevant laws, regulations and normative documents. Proposals on adjustment of the profit distribution policy, on which independent directors shall express their opinions, shall be submitted to the General Meeting of the Company for approval after consideration by the Board of Directors of the Company, and require approval by more than two-thirds of the voting rights held by the shareholders present at the General Meeting. At the General Meeting of the Company, a combination of onsite and online voting will be adopted to facilitate the participation of minority shareholders in decision-making."

## II. Profit Distribution Plan of the Company for the Last Three Years

The Company has not distributed profits in the last three years.

## III. Cash Dividend Distribution by the Company in the Last Three

## Years

As at the date of announcement of the Proposal, the Company has most of its products under research and development, with relatively large research and development expenditures and without generating profits in the last three years, the details of which are as follows:

Unit: RMB0'000

| Year | Amount of Cash Dividends (Inclusive of Tax) | Net Profit Attributable to the Owners of the Parent Company in the Consolidated Statements | Percentage of Net Profit Attributable to the Owners of the Parent Company in the Consolidated Statements |
|---|---|---|---|
| 2022 | - | -238,804.99 | - |
| 2021 | - | -72,090.97 | - |
| 2020 | - | -166,860.68 | - |
| Total profit distributed in cash for the last three years | | | - |
| Average annual net profit for the last three years | | | -159,252.21 |
| Total profit distributed in cash for the last three years as a percentage of the average annual net profit for the last three years | | | - |

The Company did not distribute cash dividends or profits in 2022, 2021 and 2020, in accordance with the Company Law and other laws, regulations and normative documents as well as the Articles of Association, the Three-Year Plan of Dividend Distribution for Shareholders After Initial Public Offering and Listing of Shanghai Junshi Biosciences Co., Ltd. on the STAR Market and the Next Three-Year Shareholder Dividend Distribution Plan of Shanghai Junshi Biosciences Co., Ltd. (2022-2024), and in consideration of the Company's operating conditions and capital needs.

The cash dividend distribution by the Company does not violate the Articles of Association.

## IV. Use of Undistributed Profits of the Company from the Last Three Years

As at 31 March 2023, the total undistributed profit of the Issuer was RMB-7,320,067,208.53, and its undistributed profit was negative, and therefore, no profits were used.

## V. Next Three-Year Shareholder Dividend Return Plan of the Company (2023- 2025)

### (I) Factors considered by the Company in formulating the plan

In comprehensive consideration of the Company's actual operating conditions, future profitability, operation and development plan, cash flow, shareholder returns, private capital costs, external financing environment and other factors, the Company has prepared the Plan with a focus on long-term and sustainable development, which specifies institutional arrangements for the Company's profit distribution on the basis of balancing the reasonable return on investment to shareholders and the Company's sustainable development, so as to maintain the continuity and stability of the profit distribution policy and ensure the Company's ability to operate in the long term and continue as a going concern.

### (II) Principles under which the Company has formulated the plan

1. The Company shall strictly implement the basic principles of profit distribution specified in the Articles of Association of the Company;

2. The Company shall fully consider and hear the opinions of shareholders (especially minority shareholders) and independent directors;

3. The Company shall properly handle the relationship between short-term interests and long-term development, and the profit distribution by the Company shall not damage the Company's ability to continue as a going concern;

4. The Company shall persist in the distribution of dividends mainly in cash, pay attention to the reasonable return on investment to investors, maintain the continuity and stability of profit distribution, and comply with the relevant provisions of laws and regulations.

**(III) Protection of interests of shareholders**

1. The Company's profit distribution plan is proposed and prepared by the management and the Board of Directors of the Company according to the Articles of Association, profitability, capital needs and shareholder return plan, and is submitted to the General Meeting for consideration and approval after consideration and approval by the Board of Directors. The independent directors shall express their independent opinions on the profit distribution plan.

2. In considering a specific cash dividend plan, the Board of Directors will carefully study and demonstrate the timing, conditions and minimum proportion, the conditions for adjustment and the requirements for decision-making procedures of the Company's cash dividend distribution, which require approval by a majority of votes of all directors and all independent directors. The independent directors shall express their independent opinions and disclose the same in a timely manner, and may solicit opinions from minority shareholders and put forward dividend distribution proposals and submit them directly to the Board of Directors for consideration. If the Company is profitable in the year but a profit distribution plan including cash dividends is not proposed at the annual meeting of the Board of Directors, the independent directors shall express their independent opinions, and the Company shall disclose the reasons, plans and arrangements for the use of the retained funds of the Company.

3. In considering a specific plan for cash dividend distribution at the General Meeting, the Company will proactively communicate with shareholders, especially minority shareholders, through various channels (including but not limited to online voting, invitation for minority shareholders to attend meetings, telephone, email, interactive platform for investor relationship management), fully hear the opinions and demands of minority shareholders, and answer the concerns of minority shareholders in a timely manner. The dividend distribution plan requires approval by a majority of the voting rights held by shareholders or their proxies present at the General Meeting.

4. The Company will carefully demonstrate the adjustment of its profit distribution policy according to changes in actual conditions including production and operation, capital needs and long-term development. The adjusted profit distribution policy shall be based on the principle of safeguarding rights and interests of shareholders and shall not violate relevant laws, regulations and normative documents. Proposals on adjustment of the profit distribution policy, on which independent directors shall express their opinions, shall be submitted to the General Meeting of the Company for approval after consideration by the Board of Directors of the Company, and require approval by more than two-thirds of the voting rights held by the shareholders present at the General Meeting. At the General Meeting of the Company, a combination of onsite and online voting will be adopted to facilitate the participation of minority shareholders in decision-making.

5. The Board of Supervisors shall supervise the implementation of the profit distribution policy and the shareholder return plan of the Company by the Board of Directors and the management, and whether they implement relevant decision-making procedures and disclose relevant information.

6. The Company will disclose the formulation and implementation of its profit distribution plan and cash dividend policy in detail in its annual report in strict

accordance with relevant regulations, and make specific explanations on the following matters:

(1) whether the Articles of Association or requirements of the resolutions of the General Meeting are complied with;

(2) whether the criteria and proportion of dividends are specific and clear;

(3) whether relevant decision-making procedures and mechanisms are complete;

(4) whether independent directors perform their duties and play their due roles;

(5) whether minority shareholders have sufficient opportunity to express their opinions and demands, and whether the legitimate rights and interests of minority shareholders are fully protected.

If the cash dividend policy is adjusted or amended, whether the conditions and procedures for the adjustment or amendment are compliant and transparent shall be described in detail.

7. After a resolution on the profit distribution plan is made at the General Meeting, the Board of Directors of the Company shall complete the distribution of dividends (or shares) within 2 months after the General Meeting.

**(IV) Specific Next Three-Year Shareholder Return Plan of the Company (2023-2025)**

1. Subject to profit distribution conditions, the Company may distribute the profits in cash, in shares or both or otherwise as permitted by laws and regulations. Compared with the distribution of dividends in shares and otherwise, priority shall be given to cash dividend distribution. The Company determines the specific allocation proportion based on the lower of distributable profit in the consolidated statements and the parent company's statements and the lower of capital reserve available for conversion into share capital in the consolidated statements and the parent company's statements.

2. Cash dividend distribution by the Company is subject to the following conditions:

(1) The distributable profit of the Company for the year (i.e., the profit after tax remaining after the Company makes up for the loss and makes contribution to the provident funds) is positive;

(2) The distribution does not exceed the total distributable profits of the Company;

(3) The auditor issues a standard unqualified audit report on the financial report of the Company for the year;

(4) The Company has no significant investment plans or significant cash disbursements (except for the proceeds-funded projects);

(5) "Significant investment plan or significant cash disbursement" means the total cost of the Company's proposed external investment, acquisition of assets or purchase of equipment in the next 12 months reaching or exceeding 30% of the most recent audited total assets of the Company, and RMB50 million.

3. In the case of distribution of profits in shares, there shall be real and reasonable factors including the growth of the Company and the dilution of net assets per share. The distribution of dividends in shares may be carried out alone or in conjunction with the distribution of cash dividends.

The Board of Directors of the Company shall determine the proportion according to the following requirements, in comprehensive consideration of factors including industry characteristics, development stage, business model, profitability and whether there are significant capital expenditure arrangements, and propose differentiated cash dividend policies according to the procedures specified in the Articles of Association:

(1) If the Company is at the mature stage of development without significant capital expenditure arrangements, the minimum proportion of cash dividends distributed shall be 80%, in profit distribution;

(2) If the Company is at the mature stage of development with significant capital expenditure arrangements, the minimum proportion of cash dividends distributed shall be 40%, in profit distribution;

(3) If the Company is at the growth stage of development with significant capital expenditure arrangements, the minimum proportion of cash dividends distributed shall be 20%, in profit distribution.

If it is difficult to determine the Company's stage of development but there are significant capital expenditure arrangements, the preceding paragraph shall apply.

The proportion of cash dividends in the profit distribution is the cash dividends divided by the sum of dividends in cash and in shares.

The profit distribution plan is implemented after being proposed by the Board of Directors and considered and approved by the General Meeting.

4. Subject to profit distribution conditions, the Company will, in principle, distribute cash dividends once a year, and decide whether to distribute interim cash dividends in consideration of the profitability and capital needs.

**(V) Formulation cycle of future shareholder return plans and relevant decision-making mechanisms**

1. The Board of Directors of the Company shall review the shareholder return plan at least once every three years to ensure that the shareholder return plan does not violate the profit distribution policy determined under the Articles of Association. The Board of Directors of the Company may propose an interim dividend based on the Company's financial position.

2. If the Company needs to adjust or amend its profit distribution policy and shareholder return plan according to its production and operation conditions, investment plan and long-term development, the adjusted or amended profit distribution policy and shareholder return plan shall not violate relevant laws, regulations, normative documents and the Articles of Association; the proposals on adjustment or amendment to the profit distribution policy and the shareholder return plan are subject to the detailed demonstration by the Board of Directors, and give sufficient consideration to the opinions of the Board of Supervisors and public investors. The proposals shall be submitted to the General Meeting for consideration and approval after consideration and approval by the Board of Directors of the Company. The Company shall specify the reasons for the amendments in the proposals submitted to the General Meeting. The independent directors shall express their independent opinions on the reasonableness of the amendments to the profit distribution plan. The proposals require approval by more than two thirds of the voting rights held by shareholders present at the General Meeting. In considering amendments to a profit distribution policy and shareholder return plan at the General Meeting, online voting or other methods shall be allowed, so as to facilitate the presence of shareholders of the Company at the General Meeting. The independent directors of the Company may, before the General Meeting, solicit from shareholders of the Company, votes to be cast at the General Meeting, and the exercise of the above authorities by the independent directors requires the consent of a majority of all independent directors.

# Section V Analysis of Dilution of Current Returns as a Result of Issuance of New Underlying Shares Represented by the GDRs

## I. Impact of Dilution of Current Returns as a Result of Issuance on Main Financial Indicators of the Company

In accordance with the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Small and Medium-sized Investors in the Capital Market (GBF [2013] No. 110), the Certain Opinions of the State Council on Further Strengthening the Healthy Development of the Capital Market (Guo Fa [2014] No. 17) and the Guiding Opinions on Matters in Relation to Dilution of Current Returns as a Result of Initial Public Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31), the Company analyzed the possible impact of the Issuance on the ordinary shareholders equity and current returns, and proposed measures to make up for the dilution based on the actual situation. Relevant entities give undertakings as to the effective implementation of the measures to make up for the dilution, the details of which are as follows:

### (I) Assumptions on which the calculation is based

1. It is assumed that the registration of the new underlying A Shares under the Issuance is expected to be completed in November 2023. The assumed completion time is only used to calculate the impact of the Issuance on the dilution of current returns, and is subject to the time of registration with the CSRC.

2. It is assumed that the number of shares issued does not exceed 68,292,200 and the total proceeds do not exceed RMB3,400 million (inclusive), without considering the effect of deduction of the issuance expenses.

3. The number of new underlying A Shares under the Issuance, the amount of the proceeds and the issuance date are assumed only for calculation purposes and are subject to the actual number of new underlying A Shares under the Issuance, the issuance results and the actual issuance date.

4. It is assumed that there are no significant changes in the macroeconomic environment, industrial policies, industry development and product market conditions.

5. The calculation does not consider the impact on the Company's production, operation and financial position (such as financial expenses and investment income) after the receipt of the proceeds from the Issuance.

6. In 2022, the Company's net loss attributable to the shareholders of the parent company after deducting non-recurring profits and losses was approximately RMB2,450,197,600. It is assumed that the Company's net loss attributable to the shareholders of the parent company and the net loss attributable to the shareholders of the parent company after deducting non-recurring profits and losses in 2023 increase by 10%, remain unchanged or decrease by 10%, compared with 2022.

7. In predicting the total share capital of the Company, based on 68,292,200 new underlying A Shares under the Issuance, only the impact of the Issuance is taken into consideration, while changes in the share capital as a result of conversion into share capital, repurchase, share-based payment and other factors are not considered.

The above are assumed only for calculation purposes, and investors should not make investment decisions according to the assumptions, otherwise the Company is not liable for compensating for their losses incurred thereby.

**(II) Impact on main indicators of the Company**

Based on the above assumptions, the Company calculates the impact of the Issuance on the key financial indicators including earnings per share attributable to the shareholders of the parent company, the details of which are as follows:

| Item | Amount | | |
|---|---|---|---|
| Total proceeds (RMB0’000) | 340,000.00 | | |
| Number of the new underlying A Shares under the Issuance (shares) | 68,292,200 | | |
| **Item** | **2022/December 31, 2022** | **2023/December 31, 2023** | |
| | | **Prior to the Issuance** | **Upon the Issuance** |
| Total share capital as at the end of the period (0’000 shares) | 98,287.16 | 98,568.99 | 105,398.21 |
| **Assumption 1: The Company’s net loss attributable to the shareholders of the parent company and the net loss attributable to the shareholders of the parent company after deducting non-recurring profits and losses in 2023 remain unchanged, compared with 2022** | | | |
| Net profit attributable to the shareholders of the parent company (RMB0’000) | -238,804.99 | -238,804.99 | -238,804.99 |
| Net profit attributable to the shareholders of the parent company after deducting non-recurring profits and losses (RMB0’000) | -245,019.76 | -245,019.76 | -245,019.76 |
| Basic earnings per share (RMB per share) | -2.60 | -2.42 | -2.41 |
| Basic earnings per share after deducting non-recurring profits and losses (RMB per share) | -2.67 | -2.49 | -2.47 |
| Diluted earnings per share (RMB per share) | -2.60 | -2.42 | -2.41 |
| Diluted earnings per share after deducting non-recurring profits and losses (RMB per share) | -2.67 | -2.49 | -2.47 |
| **Assumption 2: The Company’s net loss attributable to the shareholders of the parent company and the net loss attributable to the shareholders of the parent company after deducting non-recurring profits and losses in 2023 respectively decrease by 10% compared with 2022** | | | |
| Net profit attributable to the shareholders of the parent company (RMB0’000) | -238,804.99 | -214,924.49 | -214,924.49 |
| Net profit attributable to the shareholders of the parent company after deducting non-recurring profits and losses (RMB0’000) | -245,019.76 | -220,517.78 | -220,517.78 |
| Basic earnings per share (RMB per share) | -2.60 | -2.18 | -2.17 |
| Basic earnings per share after deducting non-recurring profits and losses (RMB per share) | -2.67 | -2.24 | -2.23 |
| Diluted earnings per share (RMB per share) | -2.60 | -2.18 | -2.17 |
| Diluted earnings per share after deducting non-recurring profits and losses (RMB per share) | -2.67 | -2.24 | -2.23 |

| Item | Amount | | |
|---|---|---|---|
| **Assumption 3: The Company's net loss attributable to the shareholders of the parent company and the net loss attributable to the shareholders of the parent company after deducting non-recurring profits and losses in 2023 respectively increase by 10% compared with 2022** | | | |
| Net profit attributable to the shareholders of the parent company (RMB0'000) | -238,804.99 | -262,685.49 | -262,685.49 |
| Net profit attributable to the shareholders of the parent company after deducting non-recurring profits and losses (RMB0'000) | -245,019.76 | -269,521.73 | -269,521.73 |
| Basic earnings per share (RMB per share) | -2.60 | -2.67 | -2.65 |
| Basic earnings per share after deducting non-recurring profits and losses (RMB per share) | -2.67 | -2.74 | -2.72 |
| Diluted earnings per share (RMB per share) | -2.60 | -2.67 | -2.65 |
| Diluted earnings per share after deducting non-recurring profits and losses (RMB per share) | -2.67 | -2.74 | -2.72 |

Note: The basic earnings per share and diluted earnings per share are calculated in accordance with the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 - Calculation and Disclosure of Return on Equity and Earnings per Share.

## II. Special Risk Warning for Dilution of Current Returns as a Result of the Issuance

Upon the completion of the Issuance, there will be an increase in the total share capital and net assets of the Company, and it will take a while to use the proceeds and for implementation. As calculated on the basis of the above assumptions, the Issuance may not result in a dilution of the Company's earnings per share. However, once there are material changes in the above assumed conditions or the operating conditions of the Company, the possibility of dilution of current returns as a result of the Issuance cannot be ruled out, and the Company is still subject to the risk of dilution of current returns as a result of the Issuance.

The Company's assumptions of relevant financial data for 2023 are only used for calculating relevant financial indicators and do not represent the Company's judgment on the operating conditions and trends for 2023, or constitute a profit forecast or profit-

related undertaking of the Company. Investors should not make investment decisions according to the above assumptions, otherwise the Company is not liable for compensating for their losses incurred thereby.

## III. Necessity and Rationality of the Board's Selection of the Financing

### (I) Acceleration of the research and development of innovative drugs to enhance the core competitiveness of the Company

Research and development are the development cornerstone and core competitiveness of innovative pharmaceutical enterprises. The pharmaceutical industry is a technology-intensive industry with a limited product life cycle and rapid technological iteration and upgrading. In order to maintain competitive advantage, innovative pharmaceutical enterprises continuously reserve, increase and develop products in the pipeline, enhance the depth and breadth of research and development, so as to guarantee the sustained growth and enhancement of core competitiveness. The leading enterprises in the global pharmaceutical industry continue to make large investments in research and development to develop innovative products, so as to maintain their leading positions in the industry and the competitiveness of their product systems, and create new sources of growth. In recent years, in the pharmaceutical industry of China, there has been greater research and development investment. Traditional pharmaceutical companies and innovative pharmaceutical companies have carried out a series of innovative pharmaceutical research and development at the international technological level, which has spurred the rapid technological development in the industry.

In this trend, the Company must continuously increase its technological investment to ensure that it can adapt to the technological development characteristics of domestic and foreign pharmaceutical industries, consolidate its market position for its products and enhance its core competitiveness. The implementation of the proceeds-funded projects will accelerate the research and development of the Company's innovative drugs, and expand the breadth and depth of the Company's clinical trials of drug candidates, thus laying a foundation for the Company to create more

commercialized products.

**(II) Expanding the production capacity of monoclonal antibody drug substance to avoid the production capacity bottleneck in the future**

TUOYI®–toripalimab injection, being independently developed by the Company coupled with global intellectual property rights, was officially entered into commercial application in February 2019, with six indications approved in China at present. In December 2020, toripalimab injection passed the national medical insurance negotiation for the first time. At present, three indications have been included in the NRDL. In addition, the marketing application for two new indications of toripalimab is accepted by the NMPA; at the same time, the Company has submitted the marketing authorization applications for toripalimab to the FDA, EMA and MHRA. In the future, the Company will have more indications for toripalimab injection to be approved by the NMPA for marketing, and more monoclonal antibody drugs such as JS002, JS004, JS005, etc. will have completed their clinical trials and approved by the NMPA or FDA for marketing.

Considering the market demands for the Company's existing marketed products and potential market demands for products in the clinical stage and to be marketed soon both at home and abroad, in order to guarantee the global application of the Company's core products, it is necessary for the Company to expand the production capacity of monoclonal antibody drug substance, to avoid the production capacity bottleneck in the future to limit the development of the Company.

**(III) Accelerating the implementation of internationalization strategy to enhance capital strength and enhance anti-risk capabilities**

With strong R&D capabilities and standing at the forefront of medical innovation, the Company adheres to fulfill medical needs and bringing cure to the diseased as our mission, is always committed to becoming an innovative biotech company with global competitiveness harboring full industrial chain operations integrating R&D, manufacturing and commercialization, with an ambitious aim to realize "Intelligent Manufacturing in China, Layout across the World, Serving both Domestic and Overseas Markets". Along with the continuous expansion of the international strategic layout of

the Company, the Company shall make full use of the "markets and resources" both at home and abroad to invest in the main business fields of pipeline R&D and commercialized production, so as to continuously promote the global commercial layout for the products of the Company.

Through the Issuance, the Company will expand international financing channels, satisfy the development demands of domestic and overseas businesses, and further strengthen the Company's international brand and corporate images to promote its globalization strategy, so as to lay the foundation for the continuous realization of the global commercial potentials of the Company's product pipelines and the exploration on international cooperation opportunities. In the meantime, equity financing can also enhance the Company's capital strength, optimize the financial structure of the Company, and consolidate sustainable development of the Company in business layout, R&D capabilities, long-term strategies and other aspects, which are beneficial to enhancing the Company's core competitiveness, the ability to resist risks, and provide favorable returns to shareholders and create greater value for society.

## IV. The Relationship between the Proceeds-funded Projects and the Existing Businesses of the Company and the Reserves regarding Personnel, Technology and Market of the Company for Proceeds-funded Projects

### (I) The relationship between the proceeds-funded projects and the existing businesses of the Company

The proceeds-funded projects are anchored to the main business of the Company, which are in line with the relevant national industrial policies and the overall strategic development direction of the Company in the future, and are conducive to further accelerating the R&D process of innovative drugs, expanding the breadth and depth of clinical trials of the drug candidates of the Company, which will guarantee the Company to continuously enhance its core competitiveness.

Upon the implementation of the proceeds-funded projects, the Company's main business will continue to be innovative biopharmaceuticals discovery, development, clinical study, production and commercialization, and there will be no significant changes in the business structure of the Company, and its profitability will be improved.

**(II) The reserves regarding personnel, technology and market of the Company for proceeds-funded projects**

The implementation of the proceeds-funded projects by the Company has a basis in personnel, technology and market. For the details of analysis on reserves regarding the above-mentioned aspects for proceeds-funded projects, please refer to "Section II Feasibility Analysis on the Use of Proceeds" in the Proposal.

## V. Measures of the Company for Dilution of Current Returns as a Result of the Issuance

The Issuance may result in a decrease in the current returns for investors. In order to protect the interests of investors, the Company intends to enhance its competitiveness in various ways to make up for the dilution. The specific measures are as follows:

**(I) Strengthening the management of proceeds to ensure compliant use of proceeds**

In order to ensure standard and effective use of the proceeds by the Company, it will deposit the proceeds in a special account, use, manage and supervise the proceeds, in accordance with the Company Law, the Securities Law, the Administrative Measures for the Issuance, the Guidelines on Depository Receipts, the Regulatory Guidelines for Listed Companies No. 2 - Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies, and the SSE STAR Market Listing Rules, and other relevant regulations. After the receipt of the proceeds from the listing under the Issuance, the Board of Directors of the Company will continuously supervise the action of the Company to deposit the proceeds in a special account, ensure that the proceeds are used

for designated purposes, conduct regular internal audits of the proceeds, and support the supervising banks and sponsors in inspection and supervision of the use of the proceeds, so as to ensure the reasonable and standardized use of the proceeds.

**(II) Active implementation of proceeds-funded projects to support the business development of the Company**

The implementation of the proceeds-funded projects will promote the Company's business development, improve its market competitiveness and have a positive impact on its strategic development. After the receipt of the proceeds, the Company will actively promote the proceeds-funded projects, so as to reduce the risk of dilution of current returns for shareholders as a result of the Issuance.

**(III) Continuous improvement in corporate governance and enhancement of operation management and internal control**

The Company will continuously improve its corporate governance structure, establish and improve its internal control system, promote its standardized operation and continuously improve the quality, and protect the legitimate rights and interests of the Company and investors, in strict compliance with the Company Law , the Securities Law , the SSE STAR Market Listing Rules and other relevant laws and regulations, and the Articles of Association.

Meanwhile, the Company will make efforts to improve the efficiency in the use of funds, make rational use of various financing instruments and channels, control the cost of funds, save various expenses, comprehensively and effectively control the operation, management and control risks, so as to ensure its continuous, stable and healthy development.

**(IV) Further improvement and strict implementation of the profit distribution policy, and optimization of the investor return mechanism**

In accordance with the Notice on Further Implementation of Matters in Relation

to Distribution of Dividends in Cash by Listed Companies, the Regulatory Guidelines for Listed Companies No. 3 - Distribution of Dividends in Cash by Listed Companies and relevant regulations of the CSRC, the Company has formulated the Next Three Year Shareholder Dividend Return Plan (2023-2025), in consideration of its actual situation, in order to continuously improve the Company's continuous and stable profit distribution policy, dividend decision-making and supervision mechanism, and actively deliver returns to investors. After the completion of the Issuance, the Company will strictly implement the cash dividend policy. Subject to profit distribution conditions, the Company will actively distribute profits to its shareholders. It will promote the continuous, stable and scientific delivery of returns for the investors, and effectively protect the rights and interests of its investors.

Investors should note that the above measures to make up for the dilution do not constitute a guarantee as to the future profit of the Company. Investors should not make investment decisions according to the measures, otherwise, the Company will not be liable for compensating for their losses incurred thereby.

## VI. Undertakings of the Company's Directors, Senior Management and Controlling Shareholders, Actual Controllers and Parties Acting in Concert with Them as to the Implementation of Measures to Make Up for the Dilution of Current Returns as a Result of the Issuance

### (I) Undertakings of the Company's directors and senior management as to the implementation of measures to make up for the dilution

In order to protect the interests of small and medium-sized investors and ensure the implementation of measures to make up for the dilution, the Company's directors and senior management undertake that:

1. they will not transfer any gains and benefits to other entities or individuals

without consideration or under unfair conditions, or otherwise damage the interests of the Company;

2. they will restrict their position-related consumption;

3. they will not use the Company's assets to carry out any investment or consumption activity irrelevant to their performance of duties;

4. the remuneration system formulated by the Board of Directors or the Remuneration and Appraisal Committee is linked with the implementation of the measures of the Company to make up for the dilution;

5. if the Company subsequently adopts an equity incentive policy, the vesting conditions of the equity incentive to be announced will be linked to the implementation of the measures of the Company to make up for the dilution;

6. if the CSRC and the Shanghai Stock Exchange publishes other new regulatory requirements on measures to make up for the dilution and its undertakings during the period from the date of the undertakings to the date of completion of the listing under the Issuance, and the above undertakings fail to meet these requirements of the CSRC and the Shanghai Stock Exchange, they will give a supplementary undertaking in accordance with the latest regulations of the CSRC and the Shanghai Stock Exchange for the time being;

7. if they violate or refuse to fulfill the above undertakings, they, as entities responsible for the measures to make up for the dilution, are voluntarily subject to punishments imposed or administrative measures taken by the CSRC, the Shanghai Stock Exchange and other securities regulatory authorities in accordance with relevant regulations and rules formulated or published by the authorities; if the violation of the undertakings causes losses to the Company or its investors, they are willing to be liable for compensating the Company or the investors by law.

**(II) Undertakings of the controlling shareholders, the actual controllers of the**

**Company and parties acting in concert with them as to the implementation of measures to make up for the dilution**

In order to protect the interests of small and medium-sized investors and ensure the implementation of measures to make up for the dilution, Xiong Fengxiang and Xiong Jun, both of whom are controlling shareholders and actual controllers of the Company, and parties acting in concert with them, namely Suzhou Ruiyuan Shengben Biological Medicine Management Partnership (LP) (苏州瑞源盛本生物医药管理合伙企业（有限合伙）), Suzhou Benyu Tianyuan Biological Technology Partnership (LP) (苏州本裕天源生物科技合伙企业（有限合伙）), Shanghai Baoying Asset Management Co., Ltd. (上海宝盈资产管理有限公司), Meng Xiaojun (孟晓君), Gao Shufang (高淑芳), Zhuhai Huapu Investment Management Co., Ltd. (珠海华朴投资管理有限公司), Zhao Yun (赵云) and Zhou Yuqing (周玉清) undertake that:

1. during the period when they act as the controlling shareholders, actual controllers of the Company or parties acting in concert with them, they will not interfere with the operation and management activities of the Company beyond its authority or encroach on the interests of the Company;

2. they will effectively implement the measures of the Company to make up for the dilution and the undertakings given by them/the enterprises as to the measures to make up for the dilution; if the violation of the undertakings causes losses to the Company or its investors, they/the enterprises are willing to be liable for compensating the Company or the investors by law.

3. if the CSRC and the Shanghai Stock Exchange publishes other new regulatory requirements on measures to make up for the dilution and its undertakings during the period from the date of the undertakings to the date of completion of the Issuance, and the above undertakings fail to meet these requirements of the CSRC and the Shanghai

Stock Exchange, they/the enterprises will give a supplementary undertaking in accordance with the latest regulations of the CSRC and the Shanghai Stock Exchange for the time being;

4. if they/the enterprises violates or refuse to fulfill the above undertakings, they/the enterprises, as entities responsible for the measures to make up for the dilution, are voluntarily subject to punishments imposed or administrative measures taken by the CSRC, the Shanghai Stock Exchange and other securities regulatory authorities in accordance with relevant regulations and rules formulated or published by the authorities; if the violation of the undertakings causes losses to the Company or its investors, they/the enterprises are willing to be liable for compensating the Company or the investors by law.

Shanghai Junshi Biosciences Co., Ltd.

Board of Directors

5 June 2023