GenScript

金斯瑞生物科技股份有限公司*

GENSCRIPT BIOTECH CORPORATION

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1548

Annual Report 2023

Make People and Nature Healthier through Biotechnology

*For identification purpose only

Genscript Biotech Corporation (the "**Company**" or "**GenScript**", together with its subsidiaries referred to as the "**Group**") is a well-recognised biotechnology company. The Company's mission is to "**Make People and Nature Healthier through Biotechnology**".

The Group has established four major business units including (i) a life-science services and products business unit, (ii) a biologics contract development and manufacturing organisation ("**CDMO**") business unit, (iii) an industrial synthetic products business unit, and (iv) an integrated global cell therapy unit. The life-science services and products business unit provides one-stop solutions to global research communities and remains as the stable revenue generating foundation for the entire corporate. The CDMO business unit provides end-to-end biologics discovery and development services to pharmaceutical, biotech, government and academic customers worldwide. The industrial synthetic products business unit develops products for feed, alcohol, food and household care and other industrial uses. The cell therapy unit provides cell therapy solutions to patients with cancer or other diseases.

With a strong sales and marketing team and strong research and development capabilities, the Company continues to sustain strong growth.

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CORPORATE PROFILE

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The Group has been inspired by the mission "**Make People and Nature Healthier through Biotechnology**" since its founding 21 years ago. Our clients' business need is the Group's first priority and the ultimate cornerstone for pursuing long-term development. We have been supporting our clients through providing our cost-effective services and products with high quality and fast delivery. Internally, we focus on streamlining our operational workflows and procedures to continuously improve quality and delivery time. Externally, we actively promote strategic collaborations with business partners to build a healthy biotech eco-system. We would like to contribute more of our efforts to positively impact various parties within the biotech and pharma industry and to shape the industry's future.

During the Reporting Period, the external revenue of (i) life-science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, and (iv) cell therapy accounted for approximately 48.2%, 12.7%, 5.1% and 33.9% of the total revenue of the Group, respectively.

The Group's business operations span over 100 countries and regions worldwide with legal entities located in the United States (the "**U.S.**"), Hong Kong, Mainland China (the "**PRC**" or "**Mainland China**"), Japan, Singapore, Netherlands, Ireland, the United Kingdom, Korea, Belgium and Spain. Our professional workforce is consisted of approximately 6,937 team members as at December 31, 2023.

The Group's life-science services and products segment provides a wide range of offerings, including customised DNA synthesis, oligo nucleotide synthesis, peptide synthesis, protein production, antibody development, and catalog equipment and consumables. By supporting early stage research and discovery projects at pharma, biotech and academic institutions, our business has made significant contributions to the global life science research community. Our services and products have been cited in over 87,745 international peer reviewed journal articles as at December 31, 2023.

Corporate Profile

GenScript ProBio is the CDMO division of the Group. Leveraging deep expertise across multiple modalities, GenScript ProBio provides integrated services to customers' discovering, developing and manufacturing large molecules therapeutics from concept to clinical trials and to commercialisation. GenScript ProBio is a leading provider for companies developing antibody/protein-based therapeutics, cell therapies, and gene therapies.

Legend Biotech Corporation ("**Legend Biotech**" or "**Legend**") is a subsidiary of the Group that is dedicated to treating, and one day curing, life-threatening diseases. As a global biotech company, Legend is developing advanced cell therapies across a diverse array of technology platforms, including autologous and allogeneic chimeric antigen receptor T cell, gamma-delta T cell and natural killer (NK) cell-based immunotherapy. From Legend's three R&D sites around the world, Legend applies these innovative technologies to pursue the discovery of cutting-edge therapeutics for patients worldwide.

Bestzyme Biotech Corporation ("**Bestzyme**") is a subsidiary of the Group that leverages our technical experience in synthetic biology to engineer proteins and construct cell factory microorganism strains to produce high-quality industrial enzymes and functional proteins that can be used in a variety of industries, such as feed, alcohol, food and household care. We believe synthetic biology offers us new opportunities from both technical and commercial perspectives.

We have established an extensive direct sales network, reaching over 100 countries and regions globally. We primarily sell our services and products through our own direct sales force to customers worldwide, while we also sell our services and products through independent third-party distributors to expand our market presence and facilitate communication with end users. For the year ended December 31, 2023, we had generated approximately US$506.0 million, US$162.5 million, US$99.5 million, US$53.2 million and US$18.3 million from our sales to customers in the U.S., Mainland China, Europe, Asia Pacific (excluding Mainland China), and others, representing approximately 60.2%, 19.4%, 11.9%, 6.3% and 2.2% of our total external revenue, respectively.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Zhang, Fangliang
Mr. Meng, Jiange *(Chairman of the Board)*
Ms. Wang, Ye
Dr. Zhu, Li

Non-Executive Directors

Dr. Wang, Luquan
Mr. Pan, Yuexin
Ms. Wang, Jiafen

Independent Non-Executive Directors

Mr. Guo, Hongxin
Mr. Dai, Zumian
Mr. Pan, Jiuan
Dr. Wang, Xuehai
Mr. Cheung, Yiu Leung Andy *(effective from April 12, 2024)*
Dr. Shi, Chenyang *(effective from April 12, 2024)*

AUDIT COMMITTEE

Mr. Dai, Zumian *(Chairman)*
Mr. Pan, Jiuan
Mr. Guo, Hongxin

REMUNERATION COMMITTEE

Mr. Guo, Hongxin *(Chairman)*
Ms. Wang, Ye
Mr. Dai, Zumian

NOMINATION COMMITTEE

Mr. Meng, Jiange *(Chairman)*
Mr. Pan, Jiuan
Mr. Dai, Zumian
Mr. Cheung, Yiu Leung Andy *(effective from April 12, 2024)*
Dr. Shi, Chenyang *(effective from April 12, 2024)*

RISK MANAGEMENT AND ESG COMMITTEE

Dr. Zhang, Fangliang *(Chairman)*
Mr. Guo, Hongxin
Mr. Pan, Jiuan

STRATEGY COMMITTEE

Dr. Zhang, Fangliang *(Chairman)*
Mr. Pan, Jiuan
Ms. Wang, Jiafen

SANCTIONS RISK CONTROL COMMITTEE

Dr. Liu, Zhenyu *(Chairman)*
Ms. Shao, Weihui
Dr. Eric Wang
Mr. Wei, Shiniu

COMPANY SECRETARY

Ms. Wong, Wai Ling

AUTHORISED REPRESENTATIVES

Mr. Meng, Jiange
Dr. Zhu, Li

HONG KONG LEGAL ADVISERS

Jones Day
31/F Edinburgh Tower
The Landmark
15 Queen's Road
Central
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Corporate Information

REGISTERED OFFICE IN THE CAYMAN ISLANDS

4th Floor, Harbour Place
103 South Church Street, George Town
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PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 28, Yongxi Road
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PRINCIPAL PLACE OF BUSINESS IN THE U.S.

860 Centennial Avenue
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NJ 08854
U.S.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Services (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
George Town
P.O. Box 10240, Grand Cayman KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
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183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

JPMorgan Chase Bank

383 Madison Avenue
New York
NY 10017
U.S.

China Merchant Bank, Yueyahu Branch

No. 88, Mu Xu Yuan Street
Nanjing
PRC

COMPANY WEBSITES

www.genscript.com
www.genscriptprobio.com
www.legendbiotech.com
www.bestzyme.com

PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited
— Main Board

STOCK CODE

1548

STOCK NAME

GENSCRIPT BIO

FINANCIAL HIGHLIGHT

- The Group delivered continued strong revenue growth. Revenue of the Group for the year ended December 31, 2023 was approximately US$839.5 million, representing an increase of 34.2% as compared with approximately US$625.7 million for the year ended December 31, 2022, among which, the external revenue for non-cell therapy business was approximately US$554.5 million, representing an increase of 8.9% as compared with approximately US$509.0 million for the year ended December 31, 2022, and the external revenue for cell therapy business was approximately US$285.0 million, representing an increase of 144.2% as compared with approximately US$116.7 million for the year ended December 31, 2022.

- Strong revenue growth has led to strong increase in gross profit of the Group. Gross profit of the Group for the year ended December 31, 2023 was approximately US$409.6 million, representing an increase of 34.7% as compared with approximately US$304.1 million for the year ended December 31, 2022, among which, the gross profit of non-cell therapy business before eliminations was approximately US$270.6 million, representing an increase of 5.3% as compared with approximately US$257.1 million for the year ended December 31, 2022, and the gross profit of cell therapy business before eliminations was approximately US$140.9 million, representing an increase of 173.1% as compared with approximately US$51.6 million for the year ended December 31, 2022.

- Loss of the Group for the year ended December 31, 2023 narrowed to approximately US$355.1 million as compared with approximately US$428.0 million for the year ended December 31, 2022.

  The adjusted net loss of the Group for the year ended December 31, 2023 narrowed to approximately US$298.2 million as compared with approximately US$359.4 million for the year ended December 31, 2022, among which, the adjusted net profit of non-cell therapy business before eliminations was approximately US$58.1 million, whilst the adjusted net profit of non-cell therapy business before eliminations was approximately US$62.4 million for the year ended December 31, 2022, and the adjusted net loss of cell therapy business before eliminations was approximately US$356.6 million, whilst the adjusted net loss of cell therapy business before eliminations was approximately US$422.1 million for the year ended December 31, 2022.

- Loss attributable to owners of the Company for the year ended December 31, 2023 decreased to approximately US$95.5 million as compared with approximately US$226.9 million for the year ended December 31, 2022.

Financial Highlight

Notes:

(1)

	For the year ended December 31, 2023				For the year ended December 31, 2022			
	Non-cell therapy US$'000	Cell therapy US$'000	Eliminations US$'000	Total US$'000	Non-cell therapy US$'000	Cell therapy US$'000	Eliminations US$'000	Total US$'000
Net profit/(loss)	162,879	(518,254)	254	(355,121)	18,094	(446,349)	284	(427,971)
Excluding: Equity-settled share-based compensation expense, net of tax	12,250	47,680	–	59,930	21,980	34,338	—	56,318
Fair value (gains)/losses of preferred shares and warrants	(129,207)	85,750	–	(43,457)	2,131	(20,900)	—	(18,769)
Losses of foreign currency forward and option contracts, net of tax	3,275	–	–	3,275	6,143	—	—	6,143
Consultation and other related costs for the Investigation, net of tax	541	–	–	541	2,958	—	—	2,958
Impairment losses of long-term assets, net of tax	5,908	–	–	5,908	11,477	—	—	11,477
Exchange (gains)/losses, net of tax	(1,776)	28,224	–	26,448	(3,184)	9,159	—	5,975
Fair value losses of non-current financial assets, net of tax	628	–	–	628	1,539	—	—	1,539
Service fees and finance costs for equity financing activities	3,618	–	–	3,618	1,293	1,621	—	2,914
Adjusted net profit/(loss)	58,116	(356,600)	254	(298,230)	62,431	(422,131)	284	(359,416)

(2) In order to better reflect the key performance of the Group's current business and operations, the adjusted net loss is calculated on the basis of net loss, excluding: (i) equity-settled share-based compensation expense; (ii) fair value gains or losses of preferred shares and warrants; (iii) losses of foreign currency forward and option contracts; (iv) consultation and other related costs for the Investigation (as defined in the announcement of the Company dated September 21, 2020); (v) impairment losses of long-term assets, (vi) exchange gains or losses; (vii) fair value losses of non-current financial assets; and (viii) service fees and finance costs for equity financing activities.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended December 31,				
	2019	2020	2021	2022	**2023**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
Operation Results					
Revenue	276,070	390,170	490,096	625,698	**839,529**
Gross profit	183,006	255,217	282,518	304,083	**409,553**
Loss after income tax	(86,134)	(244,319)	(518,327)	(427,971)	**(355,121)**
Loss attributable to owners of the Company	(70,288)	(181,723)	(358,712)	(226,851)	**(95,477)**
Non-controlling interest	(15,846)	(62,596)	(159,615)	(201,120)	**(259,644)**
Basic loss per share *(US cent)*	(3.79)	(9.56)	(17.67)	(10.82)	**(4.53)**
Diluted loss per share *(US cent)*	(3.79)	(9.56)	(17.67)	(10.82)	**(4.53)**
Assets					
Non-current assets	335,365	454,232	594,808	781,433	**1,034,191**
Current assets	558,949	994,260	1,639,060	1,764,950	**2,353,111**
Current liabilities	190,993	282,311	413,305	545,978	**494,811**
Net current assets	367,956	711,949	1,225,755	1,218,972	**1,858,300**
Non-current liabilities	56,831	33,074	432,870	637,737	**848,137**
Net assets	646,490	1,133,107	1,387,693	1,362,668	**2,044,354**
Cash and cash equivalents	252,397	629,058	1,180,971	1,023,999	**1,446,403**
Inventories turnover days (day)	65	72	73	71	**62**
Trade receivables turnover days (day)	77	67	70	72	**76**
Trade payables turnover days (day)	47	47	43	47	**40**

CHAIRMAN'S STATEMENT

Dear fellow shareholders,

2023 deemed to be an extremely challenging year to us, and to the whole world too, which demanded us the exhaustive observation of the global economic surroundings, deep strategic concentration for striving business growth, and excellent execution of the strategy during the year and upcoming years as well.

ON THE EXTERNAL ENVIRONMENT

In the past few years, we have observed a combination of forces affecting our industry.

In Mainland China, it is abundantly clear that the ceiling for the value of innovative medicine focused solely on the Chinese market is very low. Particularly for cell and gene therapies, the lack of ability to pay will continue for a long period of time.

In the U.S., the higher interest rate environment has created pressure on biotech and pharma companies to be more cautious on spending on research and development. Although now there is a general hope in the market that the U.S. fed will start to lower interest rate in the near future, I do not think it is prudent to expect a drastically improved funding environment very soon as the path to lower interest rate remains murky and uncertain.

Furthermore, in the post covid era, various regulatory agencies and governing bodies across the globe are paying heightened attention to new technologies, particularly those in the healthcare related fields. Potential restrictions on cross-border flow of technology related products and services can increase friction in the industry, driving up cost and time for developing new live saving medicines.

These factors have created an external environment that is difficult for any company to navigate in the short term. However, it is also important to look at long term perspective and remember why we are doing what we do.

ON STRATEGICAL CONCENTRATION

Our company's mission has been and still is "Make People and Nature Healthier through Biotechnology". This pursuit is common to all mankind and it certainly transcends economic and political cycles as every man and woman, despite his or her skin color, nationality, culture background, value orientation, etc., all deserve to live a long and healthy life. As long as we are positioned to service this innate demand of human society in general, our business will continue to have long term value.

Chairman's Statement

As a matter of fact, we are indeed servicing customers globally towards that goal.

- Our life science group is producing innovative customized research tools that enable scientists and medical professionals to develop new ways to explore human physiology and understand mechanisms that may affect disease formation and outcome;
- Our biologics CDMO business is helping biotech companies around the world to turn innovative ideas into medicines that can be tested in clinical trials and mass produced;
- Our synthetic biology business has made dramatic growth in its business results, and most importantly its R&D efficiency has improved significantly with successful deployment of AI technology;
- Most noticeably, our cell therapy subsidiary, Legend Biotech, is bringing a powerful life saving medicine to patients globally. In 2023 alone, over 1,000 patients have been treated by Legend's leading product, CARVYKTI. We were able to greatly improve these patients' expected life span and quality of life.

This kind of impact our business has had globally is invaluable. I believe it is precisely this kind of contribution to the global society that will make our business withstand external challenges and have sustained growing power.

ON INTERNAL EXECUTION

There are several highlights in the past year on this front.

In our life science business, we have continued to leverage our strength in efficient production to speed up our delivery to customers globally. When biotech and pharma companies globally are striving to speed up research and delivery pipelines in the hope to create more first-in-class medicines, our ability to provide them with cost effective, high quality, and every faster service has been very well received. Our continued improvement in manufacturing and supply chain functions has helped us to create value for our customers.

In our Bestzyme business, we remained steadfast on developing innovative products such as glucoamylase and protease for detergent use. These products address important pain points for our customers and enhance their ability to create better quality more cost-effective products. In turn, we were rewarded with our customers' trust and growing market share.

Most excitingly, Legend has continued to push forward to expand CARVYKTI's addressable market. We have been actively conducting clinical trials to demonstrate the benefit of CARVYKTI in earlier lines of multiple myeloma patients. Just a couple of weeks ago, the Oncologic Drug Advisory Committee has unanimously recommended the U.S. FDA to approve CARVYKTI for patients who have received 2–4 lines of prior treatment and are refractory to lenalidomide. We have also received similar recommendation in the European markets as well. Once approved, the number of patients that can benefit from CARVYKTI will increase by several folds.

All of these important achievements are only made possible with our emphasis on execution. Of course, in recent years our execution has not been always flawless. We encountered manufacturing difficulties in our Bestzyme business several years ago. However, the internal error correction mechanism has taken its place promptly, we have optimised management teams, retooled our go-to-market strategies, and prioritised resources in order to fix these issues we had. I believe we have seen improved results from such adjustments. Most importantly, we built a corporate culture of taking responsibilities and we will remain committed to that.

Chairman's Statement

We fully understand that the external environment maybe changing from time to time, and it is not always within our control. What we can control is our commitment to our continuous strategic concentration and excellence of execution in operational front at all the time. I truly believe that with the joint efforts of the intelligent and diligent company employees, investors and other stakeholders, we will be able to "take the bull by its horns" and win at the end.

I encourage you to read the rest of this annual report in order to gain more detailed understanding of our plans and performance. I appreciate your continued trust and support to the Company as always.

Sincerely yours,
Meng Jiange
Chairman and Executive Director

March 10, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

POSITIONING OF THE COMPANY

The Group is a well-recognised biotechnology company with the mission of "Make People and Nature Healthier through Biotechnology". The Group has established four major business units including (i) a life-science services and products business unit, (ii) a biologics CDMO business unit, (iii) an industrial synthetic products business unit, and (iv) an integrated global cell therapy unit. The Group has demonstrated continued strong growth from R&D to commercial delivery for the Reporting Period.

The Group's business operations span over 100 countries and regions worldwide with legal entities located in the U.S., Hong Kong, Mainland China, Japan, Singapore, Netherlands, Ireland, the United Kingdom, Korea, Belgium and Spain. Our professional workforce is consisted of approximately 6,937 team members as at December 31, 2023.

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We have established an extensive direct sales network, reaching over 100 countries and regions globally. We primarily sell our services and products through our own direct sales force to customers worldwide, while we also sell our services and products through independent third-party distributors to expand our market presence and facilitate communication with end users. For the year ended December 31, 2023, we had generated approximately US$506.0 million, US$162.5 million, US$99.5 million, US$53.2 million and US$18.3 million from our sales to customers in the U.S., Mainland China, Europe, Asia Pacific (excluding Mainland China), and others, representing approximately 60.2%, 19.4%, 11.9%, 6.3% and 2.2% of our total external revenue, respectively.

BUSINESS REVIEW

The Group continues to deliver fast revenue growth. During the Reporting Period, the overall revenue of the Group was approximately US$839.5 million, representing an increase of 34.2% as compared with approximately US$625.7 million for the year ended December 31, 2022. Gross profit was approximately US$409.6 million, representing an increase of 34.7% as compared with approximately US$304.1 million for the year ended December 31, 2022. The increase in revenue and gross profit was primarily attributable to the (i) continued growth of non-cell therapy business from major strategic customers and competitive commercial operations in the U.S. and European markets, and (ii) fast expansion of CARVYKTI sales after receiving commercialisation approvals in the U.S. and European markets.

In the meanwhile, the Group is also reducing losses. During the Reporting Period, the loss of the Group narrowed to approximately US$355.1 million, whilst loss of the Group was approximately US$428.0 million for the year ended December 31, 2022. The adjusted net loss of the Group narrowed to approximately US$298.2 million, whilst adjusted net loss of the Group was approximately US$359.4 million for the year ended December 31, 2022.

During the Reporting Period, the loss attributable to owners of the Company was approximately US$95.5 million, whilst loss attributable to owners of the Company was approximately US$226.9 million for the year ended December 31, 2022.

During the Reporting Period, the external revenue of (i) life-science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, and (iv) cell therapy accounted for approximately 48.2%, 12.7%, 5.1% and 33.9% of the total revenue of the Group, respectively.

Results Analysis of the Four Business Segments

	For the year ended December 31, 2023				For the year ended December 31, 2022			
	Life-science services and products US$'000	Biologics development services US$'000	Industrial synthetic biology products US$'000	Cell therapy US$'000	Life-science services and products US$'000	Biologics development services US$'000	Industrial synthetic biology products US$'000	Cell therapy US$'000
Revenue	412,912	109,490	43,051	285,143	360,540	125,009	38,664	117,005
Adjusted gross profit	224,498	19,761	16,554	143,855	201,120	42,857	16,609	53,038
Adjusted selling and distribution expenses	56,020	12,956	4,879	91,082	51,414	13,898	3,559	89,796
Adjusted administrative expenses	46,442	27,234	5,108	90,362	43,382	22,847	5,437	68,700
Adjusted research and development expenses	38,142	5,859	4,815	356,947	40,214	7,260	4,755	316,637
Provision for/(reversal of) impairment of financial assets, net	1,285	3,405	(297)	—	502	—	422	—
Adjusted provision for impairment of long-term assets	4,307	—	—	—	—	—	—	—
Adjusted operating profit/(loss)	78,302	(29,693)	2,049	(394,536)	65,608	(1,148)	2,436	(422,095)

The adjusted cost and expenses exclude the impact from: (i) equity-settled share-based compensation expense, (ii) service fees and finance costs for equity financing activities, and (iii) impairment losses of long-term assets.

Management's Discussion and Analysis

Life-science services and products

This segment supply reliable, high-quality, and innovative reagent services, products and instruments to researchers around the world. We offers custom-tailored solutions for market segments such as gene therapy, cell therapy, antibody therapeutics, vaccines, and diagnostics. From early-stage discovery, lead identification and optimisation to pre-clinical, we have the comprehensive portfolios of services and products to meet the demand of our clients through our capable platforms including DNA synthesis, plasmid DNA preparation, molecular cloning, oligonucleotide synthesis, protein and antibody expression and purification, peptide synthesis, antibody development, IVT RNA production, assay cell line development and vector packing, molecular diagnostics tools and genome editing tools and reagents as well as instrument for protein analysis and purification, cell isolation and activation. This segment also expanded into current Good Manufacturing Practices (cGMP) manufacturing of CRISPR sgRNA, Homology-Directed Repair (HDR) Knock-in Templates including single-stranded DNA (ssDNA), closed-end linear double-stranded DNA (dsDNA), and miniaturized circular dsDNA, as well as peptide and protein via E. Coli.

Results

During the Reporting Period, revenue from life-science services and products was approximately US$412.9 million, representing an increase of 14.5% as compared with approximately US$360.5 million for the year ended December 31, 2022. The adjusted gross profit was approximately US$224.5 million, representing an increase of 11.6% as compared with approximately US$201.1 million for the year ended December 31, 2022. The adjusted gross profit margin decreased slightly from 55.8% for the same period in 2022 to 54.4% this Reporting Period. The adjusted operating profit of life-science services and products was approximately US$78.3 million, representing an increase of 19.4% as compared with approximately US$65.6 million for the same period in 2022.

The increase in revenue was mainly attributable to the successful commercial operations in the U.S. and European markets that serviced our customers' increased demand, with particular strength in molecular biology, protein and peptide. Besides the contribution of gross profit, the increased adjusted operating profit was also positively impacted by the improvement of operation efficiency. The Group is continuously building up more automated manufacturing capacity to support business growth and improve operating efficiency.

Development strategies

The Company intends to (i) invest in R&D to expand technical and manufacturing capabilities to provide innovative enabling products and services for cell and gene therapy ("**CGT**") and other advanced therapeutics; (ii) improve reliability, quality and cost effectiveness of our products and services through continuous lean management and process automation; and (iii) bolster global manufacturing capacity to support sustained business growth with locally based supply chain solutions in the U.S., Singapore, and Mainland China.

Biologics development services

This segment provides integrated end-to-end service offerings to accelerate biologics development and manufacturing for biopharma and biotech partners. We offer comprehensive end-to-end services and capabilities, from drug discovery to commercialisation. Our expertise with cutting-edge modalities like vectors, DNA, RNA, antibodies, and proteins helps clients develop transformative new therapies faster. By combining world-class technology and talent, this CDMO segment provides end to end solutions to turn ideas into approved products. From discovery to manufacturing, we enable our partners to bring life-changing drugs to market rapidly and efficiently.

Results

During the Reporting Period, revenue from biologics development services was approximately US$109.5 million, representing a decrease of 12.4% as compared with approximately US$125.0 million for the year ended December 31, 2022. The adjusted gross profit was approximately US$19.8 million, representing a decrease of 53.7% as compared with approximately US$42.8 million for the year ended December 31, 2022. The adjusted gross profit margin decreased from 34.2% for the same period in 2022 to 18.1% this Reporting Period. The adjusted operating loss of biologics development services was approximately US$29.7 million, while the adjusted operating loss was approximately US$1.1 million for the same period in 2022.

The reduction of revenue and adjusted gross profit was primarily due to the (i) lower demand caused by declined biotech venture capital funding and more competitive pricing in the global markets in the past year; (ii) depreciation of RMB and other major currencies against to U.S. dollar, leading to a decrease of revenue realised from contracts denominated in non-U.S. dollar currencies; and (iii) limited contribution from new plant in the initial ramp-up phase. The increase of adjusted operating loss was primarily due to the (i) increased operation costs for new facilities; (ii) continuous investment in expanding global markets; and (iii) impairment losses from certain slow-moving raw materials and customers' account receivables. Despite the challenging market environment, our vector and mRNA service offerings have achieved continued growth.

Development strategies

The Company intends to (i) increase market penetration in North America by pursuing new customers in the advanced therapeutics area with our differentiated quality, speed, and technical expertise; (ii) expand relationships with existing customers to encourage customers to consolidate multiple pipeline development and production projects onto our integrated service platform for both drug substance and drug product development and manufacturing; (iii) expand manufacturing footprint in North America and other regions to improve delivery time and reduce supply chain risk; and (iv) further investment in manufacturing platforms upgrade and quality improvement.

Industrial synthetic biology products

This segment leverages our technical experience in synthetic biology to engineer proteins and construct cell factory strains using generally recognized as safe ("**GRAS**") microorganism strains to produce high-quality industrial enzymes and functional proteins that can be used in a variety of industries, such as the food, feed, pharmaceutical, and chemical industries.

Results

During the Reporting Period, revenue from industrial synthetic biology products was approximately US$43.1 million, representing an increase of 11.4% as compared with approximately US$38.7 million for the year ended December 31, 2022. The adjusted gross profit kept stable at approximately US$16.6 million as compared with the same period in 2022. The adjusted gross profit margin decreased from 42.9% for the same period in 2022 to 38.5% this Reporting Period. The adjusted operating profit of industrial synthetic biology products was approximately US$2.0 million, representing a decrease of 16.7% as compared with approximately US$2.4 million for the same period in 2022.

The increase of revenue was primarily attributable to the (i) increased feed enzyme demand from customers due to the rebound in feed market; and (ii) continuous improvement of competitiveness of industrial enzyme products in alcohol, food, household care and other markets. The adjusted gross profit margin and adjusted operating profit was positively impacted by the optimisation and upgrade of production process, while negatively impacted by the non-repeat of patents licensing profit and the increase in selling and marketing expenses.

Management's Discussion and Analysis

Development strategies

The Company intends to be a leading synthetic biology company. The Company intends to (i) drive enzyme business revenue growth and profit improvement through innovation and process optimisation; (ii) strengthen commercial capability to focus on key accounts and increase presence in ex-China markets; and (iii) leverage R&D competency in synthetic biology to deliver more innovative products in new application areas.

Cell therapy

This segment was initiated from GenScript's proprietary antibody development platform, and is primarily conducted through Legend Biotech and its subsidiaries (the "**Legend Group**"). With the strength in the optimisation of CAR structures and the development of multi- specific antibodies, the Legend Group is engaged in the discovery and development of novel cell therapies for oncology and other indications, including with the application of its proprietary technologies for CAR-T, and allogeneic cell therapies. Based on its fully-integrated and global cell therapy capabilities, the Legend Group is developing a variety of product candidates for the treatment of hematologic malignancies, solid tumor and infectious disease, among which the B-cell maturation antigen ("**BCMA**") CAR-T program is the most mature one, for which the Legend Group has entered into a worldwide collaboration with Janssen to jointly develop and commercialise ciltacabtagene autoleucel (cilta-cel) for the treatment of MM.

In May 2023, Janssen-Cilag International N.V., an affiliate of Janssen, filed a Type-II variation application submission to the European Medicines Agency (the "**EMA**") based on data from the CARTITUDE-4 study (NCT04181827), which investigates the treatment of adult patients with relapsed and lenalidomide-refractory multiple myeloma who have received one to three prior lines of therapy. Please see the announcement of the Company dated May 25, 2023 for details.

In June 2023, a supplemental Biologics License Application (sBLA) was submitted to the U.S. Food and Drug Administration ("**FDA**") for the expanded use of CARVYKTI® (ciltacabtagene autoleucel) to include the treatment of adult patients with relapsed and lenalidomide-refractory multiple myeloma who have received at least one prior line of therapy, including a proteasome inhibitor and an immunomodulatory agent. Please see the announcement of the Company dated June 7, 2023 for details.

In November 2023, Legend Biotech entered into the license agreement with Novartis Pharma AG, pursuant to which Legend Biotech granted Novartis an exclusive worldwide license under certain intellectual property rights controlled by Legend Biotech in order to develop, manufacture, commercialise and otherwise exploit certain CAR-T therapies targeting Delta-like ligand protein 3 (DLL3), including Legend's existing autologous CAR-T cell therapy candidate which Legend Biotech refers to as "LB2102". Please see the announcement of the Company dated November 13, 2023 for details.

In December 2023, Legend presented patient-reported outcome data at the 2023 American Society of Hematology Annual Meeting from the Phase 3 CARTITUDE-4 study demonstrating clinically meaningful improvements in health-related quality of life and reductions in multiple myeloma symptoms following treatment with CARVYKTI® compared to standard of care. Please see the announcement of the Company dated December 12, 2023 for details.

In April 2024, FDA approved CARVYKTI® (ciltacabtagene autoleucel; cilta-cel) for the treatment of patients with relapsed or refractory multiple myeloma who have received at least one prior line of therapy, including a proteasome inhibitor (PI), and an immunomodulatory agent (IMiD), and are refractory to lenalidomide. Please see the announcement of the Company dated April 8, 2024 for details.

CARVYKTI® is now available in Germany and Austria besides the U.S., as commercial demand continues in both the U.S. and Europe.

Management's Discussion and Analysis

Results

During the Reporting Period, revenue from cell therapy segment was approximately US$285.1 million, representing an increase of 143.7% as compared with approximately US$117.0 million for the year ended December 31, 2022. The adjusted gross profit from cell therapy segment was approximately US$143.9 million, representing an increase of 171.5% as compared with approximately US$53.0 million for the year ended December 31, 2022. The increase in revenue and adjusted gross profit was primarily attributed to the collaboration revenue generated from sales of CARVYKTI in connection with the collaboration and license agreement between Legend and Janssen Biotech, Inc. ("**Janssen**") for the worldwide development and commercialisation of cilta-cel (the "**Janssen Agreement**").

During the Reporting Period, the cell therapy segment incurred an adjusted operating loss of approximately US$394.5 million, whilst the adjusted operating loss for the same period in 2022 was approximately US$422.1 million. Operating expenses mainly include continued investment in research and development to advance cilta-cel in early lines of treatment for multiple myeloma as well as progressing other pipeline programs. The adjusted research and development costs of approximately US$356.9 million during the Reporting Period compared with approximately US$316.6 million for the same period in 2022. Additionally, Legend incurred approximately US$91.1 million in the adjusted selling and distribution expenses and approximately US$90.4 million in the adjusted administrative expenses during the Reporting Period, as compared with approximately US$89.8 million and approximately US$68.7 million, respectively, for the same period in 2022.

Development strategies

A key element of Legend's strategy is to use its expertise in tumor biology and cell programming technologies to develop safer and more effective CAR-T and CAR-NK cell therapies. Legend's focus is to develop a pipeline of cell therapy product candidates for the treatment of cancers and to progress these product candidates through clinical development. In additional product candidates, Legend intends to develop platform technologies, including manufacturing technologies, armoring strategies and other next-generation CAR technologies.

In addition to cilta-cel, Legend has a broad portfolio of earlier-stage autologous CAR-T product candidates targeting various cancers, including Non-Hodgkins Lymphoma (NHL), acute lymphoblastic leukemia (ALL), gastric cancer, esophageal cancer, pancreatic cancer, colorectal cancer, hepatocellular carcinoma, small cell lung cancer, and non-small cell lung cancer. Legend is also developing an allogeneic gamma delta CAR-T product candidate targeting B-cell maturation antigen for multiple myeloma, which is currently in an investigator-initiated Phase 1 clinical trial. Additionally, Legend is developing allogeneic CAR-NK product candidates targeting BCMA. There is no assurance that these or any other future clinical trials of our product candidates will be successful or will generate positive clinical data, and Legend may not receive marketing approval from the FDA or other regulatory agencies, for any of its product candidates.

Management's Discussion and Analysis

FINANCIAL REVIEW

	2023 US$'000	2022 US$'000	Change US$'000
Revenue	**839,529**	625,698	213,831
Gross profit	**409,553**	304,083	105,470
Loss after income tax	**(355,121)**	(427,971)	72,850
Adjusted net loss	**(298,230)**	(359,416)	61,186
Loss attributable to owners of the Company	**(95,477)**	(226,851)	131,374
Loss per share *(US cent)*	**(4.53)**	(10.82)	6.29
Adjusted profit and expenses:			
Gross profit	**410,196**	316,477	93,719
Selling and distribution expenses	**167,690**	159,846	7,844
Administrative expenses	**186,036**	154,844	31,192
Research and development expenses	**405,996**	367,966	38,030

Revenue

In 2023, the Group recorded revenue of approximately US$839.5 million, representing an increase of 34.2% from approximately US$625.7 million in 2022. This was primarily attributable to the (i) continued growth of non-cell therapy business from major strategic customers and competitive commercial operations in the U.S. and European markets, and (ii) expanded product sales of CARVYKTI after receiving the commercialisation approvals in the U.S. and Europe.

Gross Profit

In 2023, the Group's gross profit increased by 34.7% to approximately US$409.6 million from approximately US$304.1 million in 2022. The increase in gross profit was primarily attributable to the expansion of the revenue, and the gross profit generated from sales of CARVYKTI in connection with the Janssen Agreement. The adjusted gross profit increased by 29.6% over the same period in 2022.

Selling and Distribution Expenses

In 2023, the Group's selling and distribution expenses increased by 3.6% to approximately US$174.3 million from approximately US$168.3 million in 2022. The adjusted selling and distribution expenses increased by 4.9% over the same period in 2022.

Administrative Expenses

The administrative expenses increased by 16.9% to approximately US$213.4 million in 2023 from approximately US$182.5 million in 2022. This was mainly caused by the (i) increased investment on talent to recruit experienced personnel with competitive package and equity-settled share-based compensation expense; (ii) reinforcement of some key administrative functions to support the Group's overall business expansion and compliance; and (iii) expenditures associated with the preparation for capacity expansion. The adjusted administrative expenses increased by 20.2% over the same period in 2022.

Research and Development Expenses

The research and development expenses increased by 10.9% to approximately US$432.8 million in 2023 from approximately US$390.1 million in 2022. This was mainly due to the (i) continued investment in talents with competitive package and equity-settled share-based compensation expense; (ii) sustained investment in research and development activities in cilta-cel, including higher patient enrollment for Phase 3 clinical trials for cilta-cel, and other pipeline programs; and (iii) continuous investment in new products and services to enhance our competitiveness. The adjusted research and development expenses increased by 10.3% over the same period in 2022.

Fair Value Gains or Loss of Preferred Shares and Warrants

On May 13, 2021 (New York time), Legend entered into a subscription agreement with an investor relating to (i) the offer and sale of 20,809,850 ordinary shares of Legend in a private placement at a purchase price of US$14.41625 per ordinary share of Legend (the "**Legend Offering**"), and (ii) the issuing of a warrant exercisable for up to an aggregate of 10,000,000 ordinary shares of Legend (the "**Legend Warrant**", together with the Legend Offering, the "**Legend Subscription**") at an aggregate consideration of US$300.0 million. The completion of the Legend Subscription took place on May 21, 2021 (the "**Legend Closing Date**"). The Legend Warrant will be exercisable, in whole or in part, at an exercise price of US$20.0 per ordinary share of Legend. The Legend Warrant is exercisable after the Legend Closing Date and prior to the two-year anniversary of the Legend Closing Date. Please refer to the announcements of the Company dated May 14, 2021 and May 23, 2021 for details.

On May 11, 2023, the warrant holder exercised the Legend Warrant in full for an aggregate exercise price of US$200.0 million, and as a result, Legend issued 10,000,000 ordinary shares of Legend to the warrant holder. The Legend Warrant was accounted for as a financial liability because the Legend Warrant was net share settleable at the holder's option. Upon the exercise of the Legend Warrant, Legend recorded a fair value loss of approximately US$85.8 million during the Reporting Period. Please refer to the announcement of the Company dated May 14, 2023 for details.

On August 18, 2021 (New York time), Probio Technology Limited ("**Probio Cayman**"), an indirectly owned subsidiary of the Company, entered into a purchase agreement with certain investors, whereby Probio Cayman sold 300,000,000 shares of series A preferred shares of Probio Cayman (the "**Probio Series A Preferred Shares**") and a warrant exercisable for up to an aggregate of 189,393,939 ordinary shares of Probio Cayman (the "**Probio Warrant**", and collectively the "**Probio Cayman Purchase**"). The total proceeds from the Probio Cayman Purchase was US$150.0 million. Pursuant to the purchase agreement, Probio Cayman issued the Probio Warrant to the investors to purchase the ordinary shares of Probio Cayman at a certain price per share for up to an aggregate amount of US$125.0 million. Please refer to the announcements of the Company dated May 14, 2021, June 7, 2021, August 19, 2021 and September 5, 2021 for details.

On January 17, 2023, Probio Cayman entered into a subscription agreement with certain investors (including the Company), pursuant to which Probio Cayman issued and sold, and the investors purchased an aggregate of 319,998,370 series C preferred shares of Probio Cayman (the "**Probio Series C Preferred Shares**") for an aggregate consideration of approximately US$224.0 million at the applicable closing (the "**Probio Series C Financing**"). Please refer to the announcements of the Company dated January 17, 2023, February 10, 2023, and April 21, 2023 for details.

The Probio Series A Preferred Shares, Probio Series C Preferred Shares and the Probio Warrant are accounted for as financial liabilities measured at fair value with changes through profit or loss in accordance with relevant HKFRSs.

As at December 31, 2023, the fair value of the Probio Series A Preferred Shares, Probio Series C Preferred Shares and Probio Warrant were assessed at approximately US$350.2 million. Fair value gains of approximately US$129.2 million were recorded during the Reporting Period due to the changes in fair value of these financial liabilities.

Management's Discussion and Analysis

Financial Liabilities at Amortised Cost

On July 2, 2022, Probio Cayman entered into a subscription agreement with an investor, pursuant to which Probio Cayman issued and sold and the investor purchased 57,314,000 series B preferred shares of Probio Cayman (the "**Probio Series B Preferred Shares**") at an aggregate consideration of approximately US$37.3 million (the "**Probio Series B Financing**"). The completion of the Probio Series B Financing took place on July 6, 2022. Please refer to the announcements of the Company dated July 4, 2022 and July 6, 2022 for details.

The Probio Series B Preferred Shares is accounted for as financial liabilities at amortised cost for liability component and other reserves for equity component.

On May 26, 2023, Nanjing Bestzyme Bioengineering Co., Ltd.* (南京百斯傑生物工程有限公司) ("**BSJ Nanjing**"), an indirect non-wholly owned subsidiary of the Company, entered into a capital increase agreement with certain investors, pursuant to which the investors subscribed for the additional registered capital of BSJ Nanjing of RMB37,609,070 (equivalent to approximately US$5.3 million) for a total consideration of RMB250.0 million (equivalent to approximately US$35.2 million) to acquire approximately 10.4168% equity interest in BSJ Nanjing upon the closing (the "**BSJ Series A Capital Increase**"). In connection with the BSJ Series A Capital Increase, the investors are entitled to the redemption right pursuant to the shareholder agreement dated May 26, 2023 entered into by, among others, the investors and BSJ Nanjing. Please refer to the announcements of the Company dated May 28, 2023 and June 25, 2023 for details.

The BSJ Series A Capital Increase is accounted for as financial liabilities at amortised cost.

As at December 31, 2023, the equity component of Probio Series B Preferred Shares in other reserves were assessed at approximately US$1.6 million. The financial liabilities at amortised cost of the Probio Series B Preferred Shares were approximately US$39.0 million with interest expenses at approximately US$2.2 million during the Reporting Period. The financial liabilities at amortised cost of the BSJ Series A Capital Increase was approximately US$36.4 million with interest expenses at approximately US$1.2 million during the Reporting Period.

Income Tax Expense/(Credit)

The income tax expense was approximately US$4.1 million in 2023, whilst the income tax credit was approximately US$3.7 million in 2022.

Net Loss

During the Reporting Period, net loss of the Group was approximately US$355.1 million, whilst net loss of the Group for the same period in 2022 was approximately US$428.0 million. The adjusted net loss of the Group was approximately US$298.2 million.

Trade Receivables

	2023	2022
Trade receivables turnover days	76	72

The slight increase of trade receivables turnover days of the Group was mainly caused by late payment of customers in biologics development services segment.

Inventories

	2023	2022
Inventory turnover days	62	71

The decrease of inventory turnover days of the Group was mainly caused by the lean management on supply chain and production process, which led to reduced stock of raw materials and higher turnover of inventories.

Contract Costs

The contract costs mainly include the costs to fulfill contracts under biologics development services and life-science services. As at December 31, 2023, the Group's contract costs amounted to approximately US$17.9 million, representing an increase of 8.5% from approximately US$16.5 million as at December 31, 2022.

Property, Plant and Equipment

Property, plant and equipment mainly include buildings, machinery equipment and construction in progress. As at December 31, 2023, the property, plant and equipment of the Group amounted to approximately US$608.1 million, representing an increase of 16.6% from approximately US$521.6 million as at December 31, 2022. This was mainly due to the facility constructions and the acquisition of equipment to support the business expansion.

Other Intangible Assets

Other intangible assets mainly include software, patents and licenses. As at December 31, 2023, the Group's net other intangible assets amounted to approximately US$18.6 million, representing a decrease of 21.8% from approximately US$23.8 million as at December 31, 2022. The decrease was mainly due to the amortisation of existing assets and the impairment of the acquired trademark and technology.

Right-of-use Assets

Right-of-use assets mainly include leasehold land, buildings, office premises and share of collaboration assets. As at December 31, 2023, the Group's right-of-use assets amounted to approximately US$120.6 million, representing an increase of 17.0% from approximately US$103.1 million as at December 31, 2022. The increase was mainly due to the addition of collaboration assets, representing Legend's share of assets leased to the collaboration from Janssen, which purchased the assets on behalf of the collaboration, in connection with the Janssen Agreement.

Management's Discussion and Analysis

Working Capital and Financial Resources

As at December 31, 2023, the cash and cash equivalents of the Group amounted to approximately US$1.4 billion (2022: approximately US$1.0 billion). As at December 31, 2023, the restricted cash of the Group amounted to approximately US$33.1 million (2022: approximately US$27.2 million). The increase of restricted cash was mainly caused by the issuance of bills payable and the letters of guarantee to suppliers.

As at December 31, 2023, the Group had available unutilised bank facilities of approximately US$373.9 million (2022: approximately US$146.9 million).

Cash Flow Analysis

During the Reporting Period, the cash outflow in operating activities of the Group was approximately US$286.9 million.

During the Reporting Period, the cash outflow in investing activities of the Group was approximately US$357.7 million. This was mainly due to the (i) cash paid for the purchases of property, plant and equipment, other intangible assets and collaboration assets in the amount of approximately US$256.5 million; (ii) net cash received from the redemption of the financial assets in the amount of approximately US$93.4 million; (iii) net payment for the purchases of time deposits in the amount of approximately US$174.4 million; and (iv) capital injected into an associate and funds in the amount of approximately US$20.6 million.

During the Reporting Period, the cash inflow from financing activities of the Group was approximately US$1.1 billion. This was mainly due to the (i) net proceeds from new issuance of ordinary shares and the exercise of the Legend Warrant in the amount of approximately US$783.4 million; (ii) proceeds from issuance of preferred shares of Probio Cayman to external institutional investors in the amount of approximately US$194.0 million; (iii) net proceeds from the additional registered capital of BSJ Nanjing of subscription to institutional investors in the amount of approximately US$35.1 million, (iv) net cash received from bank loans in the amount of approximately US$49.8 million, (v) proceeds from exercise of share options by employees in the amount of approximately US$17.7 million, (vi) payment for principle portion of lease payments in the amount of approximately US$9.5 million, and (vii) net payment of cash pledged for the issuance of bill payables in the amount of approximately US$2.2 million.

Capital Expenditure and Capital Commitment

During the Reporting Period, the expenditure of purchasing other intangible assets, namely software, patents and license, was approximately US$4.1 million, the payment for collaboration right-of-use assets was approximately US$98.8 million, and the expenditure of constructing and purchasing property, plant and equipment amounted to approximately US$153.6 million.

Significant Investments Held, Material Acquisitions and Disposals

Significant investments held

As at December 31, 2023, significant investments held by the Group were as follows:

	December 31,	
	2023	2022
	US$'000	US$'000
Financial assets at fair value through profit or loss		
Current		
Wealth management financial products (a)	**105,282**	210,819
Foreign currency forward and option contracts	**342**	—
Listed equity investment	**21**	—
	105,645	210,819
Non-current		
Wealth management financial products (a)	**13,044**	—
Unlisted equity investments (b)	**18,825**	11,657
	31,869	11,657
Total	**137,514**	222,476

The wealth management products which we purchased during the Reporting Period were all issued by banks and financial institutions in the PRC, Hong Kong, Netherlands and the U.S., and mainly included the money market fund and credit linked notes with floating expected return rates ranging from 1.4% to 5.9% per annum and with maturity days between one day and about two years. These products did not guarantee the return of principals upon maturity, and none of them was past due or impaired as of December 31, 2023. As at December 31, 2023, the Group has redeemed those wealth management products at maturation and has no intention to dispose the investments in the long term.

As part of our treasury management plan, we have purchased wealth management products as an auxiliary mean to improve utilisation of our cash on hand in line with our cashflow forecast. We have made such purchases only when (i) we have surplus funds after we have fully considered the cash requirement of our operations for the future two years and allocated accordingly; and (ii) our management has carefully assessed the risks and benefits and decided to make such purchases (including, among others, the availability of certain wealth management products which have high liquidity and generate finance income meeting our standards).

All investments were made in low-risk, liquid and sound wealth management products, such as capital preservation products, fixed-income products and trust products with agreed yield expectations and adequate safeguards.

Any purchase and redemption of our investments in wealth management products shall be reviewed and approved by chief finance officer of the Group or its subsidiaries.

Management's Discussion and Analysis

During the Reporting Period, we had only invested in wealth management products issued by major reputable banks and financial institutions in the PRC, Hong Kong, Netherlands and the U.S., and we preserved all our invested capital in these products and did not encounter any default by the issuing banks or financial institutions. Our investments had not been pledged to secure our borrowings as at December 31, 2023.

(a) Information in relation to the wealth management products as at December 31, 2023 were set out as follows:

	Banks/ Financial institutions	Product type/description	Original amount	Investment cost	Fair value as of December 31, 2023	Purchase date (Month/Day/ Year)	Maturity date (Month/Day/ Year)	Redemption date
			RMB or US$	US$'000	US$'000			
1.	China Merchants Bank	Non-guaranteed floating-income product	RMB19,771,787	2,792	2,795	10/13/2023	7/8/2024	Not Applicable
2.	China Merchants Bank	Non-guaranteed floating-income product	RMB15,000,000	2,118	2,120	7/7/2023	3/24/2024	Not Applicable
3.	China Merchants Bank	Non-guaranteed floating-income product	RMB43,805,919	6,185	6,192	9/13/2023	6/9/2024	Not Applicable
4.	China Merchants Bank	Non-guaranteed floating-income product	RMB90,000,000	12,707	12,721	6/30/2023	3/24/2024	Not Applicable
5.	Bank of China	Non-guaranteed floating-income product	RMB36,000,000	5,083	5,084	12/28/2023	Not Applicable	On call
6.	J.P. Morgan Structured Products B.V.	Credit Linked Notes	US$15,000,000	15,000	15,247	9/22/2023	10/15/2024	Not Applicable
7.	J.P. Morgan Structured Products B.V.	Credit Linked Notes	US$17,000,000	17,000	17,353	8/24/2023	9/6/2024	Not Applicable
8.	JPMorgan Chase Financial Company LLC	Credit Linked Notes	US$13,000,000	13,000	13,044	12/8/2023	12/20/2025	Not Applicable
9.	JPMorgan Chase Financial Company LLC	Credit Linked Notes	US$30,000,000	30,000	30,043	5/30/2023	6/20/2024	Not Applicable
10.	CMB International Capital Corporation Limited	Money Market Fund	US$7,348,727	7,349	7,451	11/10/2023	Not Applicable	On call
11.	CMB International Capital Corporation Limited	Money Market Fund	US$5,561,442	5,561	5,613	10/31/2023	Not Applicable	On call
12.	JPMorgan Chase & Co.	Money Market Fund	US$214,850	215	215	7/15/2023	Not Applicable	Partial redemption on 12/26/2023
13.	JPMorgan Chase & Co.	Money Market Fund	US$222,349	222	222	10/14/2023	Not Applicable	Partial redemption on 12/26/2023
14.	JPMorgan Chase & Co.	Money Market Fund	US$225,351	226	226	10/14/2023	Not Applicable	Partial redemption on 12/26/2023
	Total:			117,458	118,326			

Performance and prospects of the financial assets at fair value through profit or loss — Credit Linked Notes

As at December 31, 2023, the Group invested US$75.0 million in Credit Linked Notes linked to the PRC (the "**Reference Entity**"), of which US$43.0 million is issued by JPMorgan Chase Financial Company LLC and guaranteed by JPMorgan Chase & Co., with ratings from Standard & Poor's/Fitch/Moody's: A–/AA–/A1, and US$32.0 million is issued by J.P. Morgan Structured Products B.V. and guaranteed by JPMorgan Chase Bank, N.A., with ratings from Standard & Poor's/Fitch/Moody's: A+/AA/Aa2.

According to information from J.P. Morgan Structured Products Programme, Credit Linked Notes the Group invested provide fixed annual interest rates of 5.20%, 5.35%, 5.80% and 5.92%, respectively, if no credit event occurs on or prior to the credit observation end date. Such credit event includes (i) if failure to pay is applicable to the Reference Entity, (ii) if repudiation/moratorium is applicable to the Reference Entity, and (iii) if restructuring is applicable to the Reference Entity. The management have assessed this risk carefully and concluded that such credit events had an extremely low probability of occurrence.

(b) Information in relation to unlisted equity instruments as at December 31, 2023 were set out as follows:

Name of investee company/fund	Principal business or investment scope	Nature of investment	Number of shares/units/ amount of investments held	Percentage of total share capital/units owned by the Group as at December 31, 2023	Investment Cost	Fair value as at December 31, 2023	Percentage to the Group's total assets as at December 31, 2023	Unrealised gain/ (loss) on change in fair value for the year ended December 31, 2023	Dividends received for the year ended December 31, 2023
				%	US$'000	US$'000	%	US$'000	US$'000
Yuanming Prudence SPC — Healthcare Fund I Segregated Portfolio	Fund investment	Investment in fund/securities	486.43	0.28	500	251	0.01	(69)	44
Panacea Venture Healthcare Fund I, L.P.	Fund investment	Investment in fund/securities	Not applicable	5.54	8,977	8,973	0.26	(103)	—
Shenzhen Emma Biotechnology Co., Ltd.	Equity investment	Investment in corporation	Not applicable	3.96	1,130	1,623	0.05	—	—
AffyXell Therapeutics Co., Ltd.	Equity investment	Investment in corporation	113,637	1.13	810	710	0.02	(100)	—
Fund A*	Fund investment	Investment in fund/securities	Not applicable	57.89	2,238	2,226	0.07	(12)	—
Fund B*	Fund investment	Investment in fund/securities	Not applicable	90.91	2,385	2,568	0.08	183	—
7G BIOVENTURES I, L.P.	Fund investment	Investment in fund/securities	Not applicable	29.56	3,000	2,474	0.07	(526)	—
Total:					19,040	18,825	0.56	(627)	44

* The Company is subject to strict confidentiality obligations under which the name of the fund cannot be disclosed to any third party. As at the date of this report, each of the general partners, limited partners, and their ultimate beneficial owners of Fund A and Fund B is an independent third party who is, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and the connected person(s) (as defined in the Listing Rules) of the Company.

(Note) Given the value of investments is immaterial and does not constitute a notifiable transaction of the Company pursuant to Chapter 14 of the Listing Rules, as the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules), whether on a standalone or aggregate basis, are less than 1.0% of the total assets of the Group as of December 31, 2023, the Company has not prepared any analysis on their prospects.

During the Reporting Period, we recorded the investment gain at approximately US$4.4 million and a fair value gain at approximately US$2.4 million on the financial assets at fair value through profit or loss.

Management's Discussion and Analysis

Material disposals

Deemed disposal of equity interest in Probio Cayman

On January 17, 2023, Probio Cayman entered into a subscription agreement with certain investors (including the Company), pursuant to which Probio Cayman issued and sold and the investors purchased an aggregate of 319,998,370 Probio Series C Preferred Shares for an aggregate consideration of approximately US$224.0 million. The initial closing and additional closing of the Probio Series C Financing took place on February 10, 2023 and April 21, 2023, respectively. Please refer to the announcements of the Company dated January 17, 2023, February 10, 2023 and April 21, 2023 for details.

As at the date of this report, Probio Cayman remains a non-wholly owned subsidiary of the Company and the financial results of Probio Cayman continues to be consolidated into the financial statements of the Group.

Deemed disposal of equity interest in BSJ Nanjing

On May 26, 2023, BSJ Nanjing entered into the capital increase agreement with certain investors, pursuant to which the investors subscribed for the additional registered capital of BSJ Nanjing of RMB37,609,070 (equivalent to approximately US$5.3 million) for a total consideration of RMB250.0 million (equivalent to approximately US$35.2 million) to acquire approximately 10.4168% equity interest in BSJ Nanjing. The completion of BSJ Series A Capital Increase took place on June 25, 2023. Please refer to the announcements of the Company dated May 28, 2023 and June 25, 2023 for details.

As at the date of this report, BSJ Nanjing remains a non-wholly owned subsidiary of the Company and the financial results of BSJ Nanjing continues to be consolidated into the financial statements of the Group.

Deemed disposal of equity interest in Legend

During the Reporting Period, Legend completed the following fundraising activities by way of private placement and registered direct offering: (i) Legend sold 7,656,968 ordinary shares of Legend (the "**Legend Biotech Shares**") to an investor in a private placement at a purchase price of US$26.12 per Legend Biotech Share (equivalent to US$52.24 per ADS), of which the completion took place on April 24, 2023 (New York time). Please refer to the announcements of the Company dated April 20, 2023 and April 25, 2023 for details; (ii) Legend sold 484,992 Legend Biotech Shares to an investor in a private placement at a purchase price of US$26.12 per Legend Biotech Share (equivalent to US$52.24 per ADS), of which the completion took place on May 2, 2023 (New York time). Please refer to the announcement of the Company dated May 7, 2023 for details; (iii) Legend sold 5,468,750 American Depositary Shares ("**ADS(s)**"), representing 10,937,500 Legend Biotech Shares at a purchase price of US$64.0 per ADS in a registered direct offering, of which the completion took place on May 11, 2023. Please refer to the announcements of the Company dated May 8, 2023 and May 12, 2023; and (iv) Legend sold 692,782 Legend Biotech Shares to an investor in a private placement at a purchase price of approximately US$32.0 per Legend Biotech Share (equivalent to US$64.0 per ADS), of which the completion took place on May 19, 2023. Please refer to the announcement of the Company dated May 21, 2023 for details.

As at the date of this report, Legend remains a non-wholly owned subsidiary of the Company and the financial results of Legend continues to be consolidated into the financial statements of the Group.

Save as disclosed above, the Group did not have any other significant investments held, material acquisitions or disposals of subsidiaries and associated companies during the Reporting Period.

Treasury Policy

The Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved. The Group invests surplus cash in the instruments issued by reputable and large-scale banks and financial institutions, only with reasonable return rates and controllable or predictable risks. The Group expects to fund its working capital and other capital requirements from a combination of various sources, including but not limited to necessary bank facilities.

To mitigate the risks arising from volatility of foreign exchange market and its impact to the Group's operation, the Group uses proper derivative instruments to hedge the foreign currency risks in the ordinary course of business, including foreign currency forward contracts and collar contracts, based on the cashflow forecast by currency.

Bank Loans and Other Borrowings

As at December 31, 2023, GenScript Japan Inc. ("**GS JP**") had a long-term interest-bearing mortgage loan from Mizuho Bank for a total amount of JPY10.0 million (equivalent to approximately US$71,000) with a floating interest rate at the TIBOR (Tokyo Interbank Offered Rate) plus 0.25%, which was secured by the buildings and freehold land held by GS JP.

As at December 31, 2023, Nanjing GenScript Biotech Co., Ltd. ("**GS China**") had short-term interest-bearing loans from China Citibank for a total amount of approximately RMB94.0 million (equivalent to approximately US$13.3 million) with a fixed interest rate at 2.4% per annum, and from China Merchants Bank for a total amount of approximately RMB50.0 million (equivalent to approximately US$7.1 million) with a fixed interest rate at 2.5% per annum. GS China used such loans for daily operation.

As at December 31, 2023, GS China had short-term interest-bearing loans from China CITIC Bank for a total amount of approximately RMB121.2 million (equivalent to approximately US$17.1 million) with fixed interest rates ranging from 1.4% to 1.7% per annum. Such loans were derived from discounting of bank notes.

As at December 31, 2023, Jiangsu Genscript Biotech Co., Ltd. ("**GenScript Jiangsu**") had short-term interest-bearing loans from China CITIC Bank for a total amount of approximately RMB23.7 million (equivalent to approximately US$3.4 million) with fixed interest rates ranging from 1.4% to 1.5% per annum. Such loans were derived from discounting of bank notes.

As at December 31, 2023, Nanjing Probio Biotech Co., Ltd. ("**Probio Nanjing**") had short-term interest-bearing loans from China Merchants Bank for a total amount of approximately RMB10.0 million (equivalent to approximately US$1.4 million) with a fixed interest rate at 2.6% per annum. Probio Nanjing used such loans for daily operation.

As at December 31, 2023, Probio Nanjing had short-term interest-bearing loans from China CITIC Bank for a total amount of approximately RMB72.4 million (equivalent to approximately US$10.2 million) with fixed interest rates ranging from 1.5% to 1.7% per annum. Such loans were derived from discounting of bank notes.

As at December 31, 2023, Jiangsu Probio Biotech Co., Ltd. ("**Probio Jiangsu**") had a short-term interest-bearing loan from China Merchants Bank for a total amount of approximately RMB10.0 million (equivalent to approximately US$1.4 million) with a fixed interest rate at 2.6% per annum. Probio Jiangsu used such a loan for daily operation.

As at December 31, 2023, Probio Jiangsu had long-term interest-bearing loans from China Construction Bank and Jiangsu Bank for a total amount of approximately RMB41.6 million (equivalent to approximately US$5.9 million) with a fixed interest rate at 4.2% per annum, which were secured by the leasehold land held by Probio Jiangsu. Probio Jiangsu used such loans for facility construction.

Management's Discussion and Analysis

As at December 31, 2023, BSJ Nanjing had a short-term interest-bearing loan from China CITIC Bank in the amount of approximately RMB22.0 million (equivalent to approximately US$3.1 million) with a fixed interest rate at 1.1% per annum. Such a loan was derived from discounting of bank notes.

As at December 31, 2023, Legend took funding advances with principal amounted to US$250.0 million with a collaborator. Pursuant to the license and collaboration agreement entered into with a collaborator, Legend is entitled to receive funding advances from the collaborator when certain operational conditions are met. As a result, Legend took an initial funding advance with principal amounting to US$17.3 million on June 18, 2021, a second funding advance with principal amounting to US$53.1 million on September 17, 2021, a third funding advance with principal amounting to US$49.3 million on December 17, 2021, a forth funding advance with principal amounting to US$5.3 million on March 18, 2022, a fifth funding advance with principal amounting to US$60.9 million on June 17, 2022, a sixth funding advance with principal amounting to US$60.5 million on September 16, 2022, and a seventh funding advance with principal amounting to US$3.6 million on December 16, 2022, by offsetting the same amount of other payables due to the collaborator (collectively, the "**Funding Advances**"). As at December 31, 2023, Legend recorded interest payables of US$31.3 million for the Funding Advances.

These Funding Advances are accounted for as interest-bearing borrowings funded by the collaborator, constituted by a principal and applicable interests upon such principal. The respective interest rate of each borrowing is based on 12-month CME term SOFR plus LIBOR/SOFR adjustment (12 month) plus a margin of 2.5%, calculated on the number of days from the date on which Legend applied such borrowings.

Pursuant to the terms of the license and collaboration agreement, the collaborator may recoup the aggregate amount of Funding Advances together with interest thereon from Legend's share of pre-tax profits from the first profitable year of the collaboration program and, subject to some limitations, from milestone payments due to the Company under the Janssen Agreement. Legend's management estimated the loan will not be recouped by the collaborator within one year, nor does Legend expect to repay the funding advances within one year, and thus the loan was classified as a long-term liability.

Save as disclosed above, the Group did not have any other outstanding, unpaid bank loans and/or other borrowings.

Provision, Contingent Liabilities and Guarantees

The Group did not have any material provision, contingent liabilities or guarantees as at December 31, 2023.

No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since December 31, 2023 and up to the date of this report.

Charges on Group Assets

As at December 31, 2023, the building and freehold land located in Tokyo, Japan of approximately JPY1.2 billion (equivalent to approximately US$8.3 million) was pledged by GS JP to secure a loan of JPY10.0 million (equivalent to approximately US$71,000).

As at December 31, 2023, the leasehold of land located in Jiangsu, China of approximately RMB35.7 million (equivalent to approximately US$5.0 million) was pledged by Probio Jiangsu to secure loans of approximately RMB41.6 million (equivalent to approximately US$5.9 million).

As at December 31, 2023, bank balances of approximately US$357,000 were pledged for credit cards' facilities, of approximately US$23.1 million were pledged for bills payable, and of approximately US$9.7 million were pledged for the letters of guarantee to suppliers.

As at December 31, 2023, the properties acquired by GenScript Jiangsu and Probio Jiangsu amounted to approximately RMB236.3 million (equivalent to approximately US$33.4 million) were pledged to an affiliate of the Series B Investor (as defined in the announcement of the Company dated July 4, 2022) so as to secure the performance of the redemption obligation of the Company and Probio Cayman. Please refer to the announcements of the Company dated June 29, 2022 and July 4, 2022 for details.

Save as disclosed above, the Group did not have any other material charges over its assets as at December 31, 2023.

Current Ratio and Gearing Ratio

As at December 31, 2023, the Group's current ratio (current assets to current liabilities) was 4.8 (as at December 31, 2022: 3.2); and gearing ratio (total liabilities to total assets) was 39.6% (as at December 31, 2022: 46.5%).

Future Plans for Material Investments or Capital Assets

The Group plans to actively build manufacturing capacity globally to satisfy the strong customer demand.

For life-science services and products, the Group plans to continue to invest and upgrade molecular biology and protein production capacity, as well as to expand GMP grade manufacturing capacity for peptide, oligo and other key reagents in the CGT supply chain.

For biologics development services, the Group plans to expand GMP manufacturing facilities for antibody, plasmid and vector production.

For industrial synthetic biology products, the Group plans to further optimise our manufacturing facility, in order to improve output. We are also planning to expand our synthetic biology laboratories in order to enhance our R&D capabilities.

For cell therapy business, the Group plans to aggressively expand manufacturing capacity for CARVYKTI in both North America and Europe in anticipation of an enlarged addressable patient population for treating earlier line multiple myeloma patients.

The Group also plans to invest in upgrading supply chain and IT infrastructures as well as other supporting functions to improve operating efficiency and accommodate the strong business growth.

Save as disclosed above, there was no other specific plan for material investments or capital assets as at December 31, 2023.

The Group has sufficient resources in the form of cash and cash equivalents, time deposits and other financial assets to support the planned capital investments.

RISK MANAGEMENT

Foreign Exchange Risk

The Group conducts business in several countries and regions and transacts in multiple foreign currencies. The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimising its cash outflow position of non-U.S. dollar currencies. Since January 2019, the Group has engaged in a series of forward and option contracts to manage the Group's currency risk, which are usually placed and adjusted quarterly. The Group may choose not to hedge certain foreign exchange exposures due to immateriality, prohibitive economic cost of hedging particular exposures, or limited availability of appropriate hedging instruments. The Group currently focuses on the management of its exposure to foreign exchange risk in relation to RMB, aiming to control foreign exchange risk to an acceptable level by ensuring that we will only consider hedging operational flows. We attempt to limit counterparty risk by executing foreign exchange contracts with only reputable financial institutions and banks.

As at December 31, 2023, the Group had outstanding foreign currency forward and option contracts in respect of U.S. dollar against RMB of notional principal amounts of approximately US$60.0 million (as at December 31, 2022: approximately US$22.0 million). The management of the Company will continue to evaluate the Group's foreign exchange risk management procedures and take actions as appropriate to minimise the Group's exposure whenever necessary.

These foreign currency forward and option contracts are derivatives and are recorded at fair market value. The changes in fair value of them were recognised in the consolidated statement of profit or loss. All of the foreign currency forward and option contracts are to be settled within one year.

Cash Flow and Fair Value Interest Rate Risk

As at December 31, 2023, other than bank balances with variable interest rates and time deposits with fixed interest rates, the Group has financial products of approximately US$117.5 million related to fair value interest rate risk. The Group is also exposed to fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk in relation to variable-rate bank loans and other borrowings. The Company currently does not enter into any hedging instrument for both of the fair value interest rate risk and cash flow interest rate risk.

The sensitivity analysis for fair value interest rate risk is prepared on the exposure to financial assets at the end of the Reporting Period. If the interest rates had been 50 basis point higher or lower and all other variables were held constant, our pre-tax loss would have been approximately US$0.6 million lower or higher for the year ended December 31, 2023.

The sensitivity analysis for cash flow interest rate risk is prepared on the exposure to interest rates for interest-bearing bank loans and other borrowings at the end of the Reporting Period. If the interest rates had been 50 basis point higher or lower and all other variables were held constant, our pre-tax loss would have been approximately US$1.3 million higher or lower for the year ended December 31, 2023.

Credit Risk

The carrying amounts of cash and bank balances, financial assets at fair value through profit or loss, trade and other receivables and other current assets are the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems.

In respect of trade and other receivables, individual credit rating is performed on customers and counterparties. These evaluations focus on the counterparty's business performance, including but not limited to, financing activities, financial position, market economic environment, and past history of payment punctuality. Prepayment requirement is determined and credit limit is granted based on the credit rating and historical contracting amount, which will be reviewed quarterly. Monitoring procedures have been implemented to ensure that follow-up actions will be taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual transaction and accounts' revenue volume, outstanding balances, long-time past due invoices and payment records semi-yearly to ensure that adequate impairment losses are made for irrecoverable amounts.

Regulatory Risk

The Biosecurity Law of the PRC (《中華人民共和國生物安全法》) (the "**Biosecurity Law**"), promulgated by the Standing Committee of National People's Congress on October 17, 2020 and came into effect on April 15, 2021, establishes an integrated system to regulate biosecurity-related activities in China, including the security regulation of human genetic resources (the "**HGR**") and biological resources. The Biosecurity Law declares that China enjoys sovereignty over its HGR and biological resources and further endorsed the Regulation for the Administration of Human Genetic Resources of the PRC (《中華人民共和國人類遺傳資源管理條例》) by recognising the fundamental regulatory principles and systems established by it over the preservation, collection, transaction or exportation of China's HGR by foreign organisations and individuals. On March 7, 2022, the second plenary session of the first session of the National People's Congress announced the reform plan of The State Council of the PRC. The China Center for Biotechnology Development, formerly under the Ministry of Science and Technology, was placed under the National Health Commission, and the China Human Genetic Resources Management Office under the center was also put under the administration of the Health Commission. We believe that future approvals will be more professional, faster and more conducive to the development of the biopharmaceutical industry.

The Group has formed a biosecurity committee which comprises professionals with years of experiences and diversified backgrounds in different industries and functions. The committee members are responsible for actively following new laws, regulations and guidelines published by regulatory authorities and promoting improvements in the compliance of the Group with such laws, regulations and guidelines.

Risk Related to Geopolitical Factors, International Trade Agreements, Tariffs and Import/Export Regulations

In recent years, there have been more material uncertainties arising from geopolitical factors, including international trade agreements, tariffs and import/export regulations.

If any new legislation and/or regulations are implemented, or if existing trade agreements are renegotiated, or if the U.S. or the PRC imposes additional burdens on international trade that negatively affect the ability of both countries to import and export goods and services, it may lead to a decline in material supply and demand of the Group's services. In order to mitigate this, the Group has continuously increased the layout of global service capacities.

We note that proposed legislation entitled "Biosecure Act" is pending in the U.S. Congress, which if and when enacted, may restrict or prohibit U.S. federal government from procuring certain goods and services from providers located in China. We do not believe that this legislation will materially impact our business, but have implemented measures to monitor progress of this legislation and will take all appropriate measures to mitigate any risk that would arise therefrom.

IMPORTANT EVENTS

On April 19, 2023 (New York Time), Legend Biotech entered into the subscription agreement with an investor, pursuant to which Legend Biotech sold 7,656,968 Legend Biotech Shares in a private placement at a purchase price of US$26.12 per share. The closing of the private placement took place on April 24, 2023 (New York Time). Please refer to the announcements of the Company dated April 20, 2023 and April 25, 2023.

On April 26, 2023 and May 19, 2023 (New York Time), Legend Biotech entered into subscription agreements with an investor, pursuant to which Legend Biotech sold 484,992 Legend Biotech Shares at a purchase price of US$26.12 per Legend Biotech Share and 692,782 Legend Biotech Shares at a purchase price of US$32.00 per Legend Biotech Share in private placements, respectively. Please refer to the announcements of the Company dated May 7, 2023 and May 21, 2023 for details.

On May 5, 2023 (U.S. Eastern Time), Legend Biotech entered into the purchase agreement with an investment adviser and certain purchasers (through the investment adviser), pursuant to which Legend Biotech sold an aggregate of 5,468,750 ADSs, representing 10,937,500 Legend Biotech Shares, at a purchase price of US$64.00 per ADS in a registered direct offering. The closing of Registered Direct Offering took place on May 11, 2023 (U.S. Eastern Time). Please refer to the announcements of the Company dated May 8, 2023 and May 12, 2023 for details.

On May 11, 2023 (after trading hours in Hong Kong), LGN Holdings Limited exercised in full the Legend Warrant it held to purchase 10,000,000 Legend Biotech Shares, at an exercise price of US$20.00 per Legend Biotech Share for an aggregate exercise price of US$200,000,000, and as a result, Legend Biotech issued 10,000,000 Legend Biotech Shares to LGN Holdings Limited. Please refer to the announcement of the Company dated May 14, 2023 for details.

On May 25, 2023, the third amended and restated memorandum and articles of association (the "**M&A**") of the Company was adopted by a special resolution of the Shareholders. Please refer to the announcements of the Company dated April 6, 2023 and May 25, 2023 and the M&A displayed on the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for details.

In early August 2023, Legend received a milestone payment in the amount of US$15.0 million for the European Medicines Agency's acceptance of the Type II variation application for CARVYKTI and earned a milestone payment in the amount of US$20.0 million in connection with the U.S. Food and Drug Administration's acceptance of the supplemental Biologics License Application (sBLA), respectively, in accordance with the Janssen Agreement. Please refer to the announcement of the Company dated August 15, 2023.

In November 2023, Legend entered into the license agreement with Novartis Pharma AG ("**Novartis**"), pursuant to which Legend Biotech granted Novartis an exclusive worldwide license under certain intellectual property rights controlled by Legend Biotech in order to develop, manufacture, commercialize and otherwise exploit certain CAR-T therapies targeting Delta-like ligand protein 3 (DLL3), including Legend's existing autologous CAR-T cell therapy candidate which Legend Biotech refers to as "LB2102". Pursuant to the license agreement, Legend is entitled to receive a US$100 million upfront cash payment and up to an aggregate of US$1.01 billion in milestone payments upon achievement of specified clinical, regulatory and commercial milestones. Please see the announcement of the Company dated November 13, 2023 for details.

On December 12, 2023, Genscript Corporation, a controlling shareholder of the Company entered into an agreement with an investor, pursuant to which Genscript Corporation sold and the purchaser purchased 8,578,000 Shares at the aggregate consideration of HK$156,119,600, of which the closing took place on December 19, 2023. Please see the announcements of the Company dated December 13, 2023 and December 19, 2023 for details.

PROSPECTS

During 2023, the healthcare industry continues to confront a range of challenges, including geographic tensions, inflation, decreased biotech funding, regulatory pressures, and other uncertainties stemming from the post-COVID-19 era.

Nevertheless, our strategic focus remains on the CGT industry. Alongside our partner Janssen, our CAR-T product for treating Relapsed or Refractory Multiple Myeloma has achieved promising sales since its initial launch. Our investments in CGT-related services and products have also enabled our customers to enhance their R&D and cost efficiency. Over the long term, CGT holds the potential to significantly improve healthcare cost efficiency while delivering precision and efficacy for next-generation therapy.

The life science business stands as the cornerstone of our Group, offering a unique perspective that allows us to closely monitor industry trends. Since our inception in 2002, we have served over 200,000 customers in academic and industrial settings with various application areas. Our business footprint has expanded to more than 100 countries and regions. Our ongoing efforts involve enhancing our technological platform and developing enabling tools and services, all geared towards facilitating research within the life science community. Our life science business has become deeply intertwined with the industry, playing a pivotal role in the Group to seize emerging opportunities for the future.

The slowdown in biotech funding had a profound impact on the CDMO industry. Emerging biotech companies have to optimise their pipelines and review R&D priorities to cut down costs. Some biotech companies that previously built manufacturing capacities for their own pipeline programs are now looking to sell such assets or use them for CDMO purposes. The CDMO industry in aggregate now has an oversupply of manufacturing capacity, particularly in Mainland China. Nevertheless, we believe our unwavering emphasis on quality and global commercial network offer unique value proposition. Our disciplined approach to capacity expansion and financing also positioned us favorably. We believe the industry participants are now much more rational, and we have the opportunity to gain market share and accelerate growth as the macro environment improves.

After years of dedicated efforts on product optimisation and production efficiency improvements, Bestzyme has successfully achieved healthy growth and profitability. We are also developing new synthetic biologic products to explore potential business opportunities in new areas. We believe synthetic biology will serve more industrial applications with health and environmental benefits.

FUTURE DEVELOPMENT STRATEGIES

The Group will continue to execute a three-pronged strategy to allocate capital to capture growth opportunities, improve efficiency and reduce risk.

We will expand our investment in research and development to improve the competitiveness of our products and services. We will also improve operational efficiency with digital transformation and lean management system. To shorten our response time to our customers' needs and mitigate global supply chain risk, we are also expanding capacity globally.

In the life-science services and products segment, we will continue to increase throughput and reduce costs through automation. We will strengthen our research and development capabilities through the integration of artificial intelligence. We will continue to upgrade the quality and delivery speed of our life-science products and services through innovation, reinforcing our commitment to excellence in the ever-evolving landscape of life science.

In the biologics CDMO segment, we are committed to expanding our capabilities through multifaceted efforts with integrity, excellence, and customer centricity: (i) increase commercial resources and manufacturing capabilities in the North America market, (ii) continuously improve technical capabilities through innovation, (iii) build a global quality management system, (iv) maintain rigorous data integrity governance and information security practices to appropriately safeguard our customers' intellectual property and trade secret.

In the synthetic biology segment, we are committed to shaping Bestzyme into one of the leading synthetic biology solution providers by continuing investment in research and development, expanding target markets and optimising production efficiency. In future, the Group will leverage our bioinformatics platform, gene editing technology, large-scale industrial fermentation and metabolic engineering technology to strengthen Bestzyme's competitiveness in the synthetic biology industry.

In the cell therapy segment, we will continue to push forward Legend's pipeline programs through our internal resources as well as collaborations with external partners. Legend continues to engage with potential partners for further business development opportunities.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2023 the Group had a total of approximately 6,937 employees. The Group had entered into employment contracts covering positions, employment conditions and terms, compensation, responsibilities for breach of contractual obligations, and reason for termination with its employees. The remuneration package of the Group's employees includes basic salary, subsidies, other employee benefits, short-term and long-term incentives, which are determined with reference to their capability, responsibility, performance, and other general factors.

During the Reporting Period, the Group's total expenses (excluding equity-settled share-based compensation expense) on the remuneration of employees (including the Directors and the chief executives) were approximately US$449.8 million, representing 53.6% of the total revenue of the Group. The Group views this as the necessary long-term investment in our talents pool. This investment has demonstrated the Group's desires and resolutions to continue to strengthen its talent uplifting strategy. This talent uplifting strategy not only involves the recruitment of experienced professional and managerial personnel to fulfill the front line posts of R&D, commercial and production functions, but also systematically increases the overall salary and benefits packages to sustain the stability of the employees to drive for long-term commitment and performance improvement as well.

On July 15, 2015, the Company adopted the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**"). On December 7, 2015, the Company adopted the post-IPO share option scheme (the "**Post-IPO Share Option Scheme**"). On March 22, 2019, the Company adopted the restricted share award scheme (the "**2019 RSA Scheme**"). On August 23, 2021, the Company adopted the restricted share award scheme, which was amended on May 26, 2022 pursuant to the resolutions of the Board (the "**2021 RSA Scheme**"). The Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the 2019 RSA Scheme and the 2021 RSA Scheme are collectively referred as to the "**Share Incentive Schemes**". The details of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the 2019 RSA Scheme and the 2021 RSA Scheme are set out in the section headed "Share Incentive Schemes".

On December 21, 2017, the Company approved and adopted the share option scheme (the "**Legend Share Option Scheme**", together with the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the "**Share Option Schemes**") of Legend, being the direct non-wholly owned subsidiary of the Company. On May 26, 2020, the shareholders of Legend approved and adopted the restricted shares plan of Legend (the "**Legend Restricted Shares Plan**"). On August 3, 2021, the shareholders of Probio Cayman, being the indirectly non-wholly owned subsidiary of the Company, approved and adopted the restricted share unit award scheme of Probio Cayman (the "**Probio RSUA Scheme**", together with the 2019 RSA Scheme, the 2021 RSA Scheme and the Legend Restricted Shares Plan, the "**RSA Schemes**").

The purpose of the Share Option Schemes and the RSA Schemes is to enable us to grant options or restricted shares to selected participants as incentives or rewards for their contributions. The Directors consider that the Share Option Schemes and the RSA Schemes, with its broad basis of participation, will enable the Group to reward its employees, Directors, and other selected participants for their contributions.

The number of employees of the Group categorized by function as of December 31, 2023 was set forth as follows:

Function	Number of employees	Percentage of total (%)
Production	3,706	53.4
Sales and marketing	639	9.2
Administration	1,090	15.7
Research and development	677	9.8
Management	825	11.9
Total	6,937	100.0

The Group's remuneration policy and structure for remuneration of the Directors and senior management of the Group are based on the Group's operating results, individual performance and comparable market statistics and are reviewed by the remuneration committee of the Company (the "**Remuneration Committee**") periodically.

The remuneration of the non-executive Directors is recommended by the Remuneration Committee and is decided by the Board, while the remuneration of the executive Directors and senior management members is determined by the Remuneration Committee, having regard to their merit, qualifications and competence, the Group's operating results and comparable market statistics.

The Group invests in continuing education and training programmes for its employees with a view to constantly upgrading their skills and knowledge and providing the employees with an environment that encourages them to develop their career with the Group. The Group has arranged continuous on-the-job training for its employees. These training courses cover a broad spectrum, including technical know-how of various business segments, environmental, health and safety management systems, and mandatory training required by applicable laws and regulations.

In accordance with relevant regulations on social insurances or other benefits, the Group makes contribution to these statutory and supplementary insurances and benefits for its employees.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

As at the date of this report, the Board currently consists of thirteen directors of the Company (the "**Director(s)**"), comprising four executive Directors, three non-executive Directors, and six independent non-executive Directors. The following table sets out certain information concerning our Directors:

Name	Age	Position	Date of Appointment
Executive Directors			
Zhang Fangliang	59	Executive Director	Appointed as a non-executive Director with effect from May 2, 2022 and re-designated as an executive Director from December 17, 2022
Meng Jiange	55	Chairman and executive Director	August 24, 2015
Wang Ye	55	Executive Director and president	May 21, 2015
Zhu Li	74	Executive Director and Chief Strategy Officer	November 22, 2020
Non-executive Directors			
Wang Luquan	54	Non-executive Director	May 21, 2015
Pan Yuexin	65	Non-executive Director	August 24, 2015
Wang Jiafen	72	Non-executive Director	November 26, 2018
Independent non-executive Directors			
Guo Hongxin	60	Independent non-executive Director	August 24, 2015
Dai Zumian	46	Independent non-executive Director	August 24, 2015
Pan Jiuan	55	Independent non-executive Director	November 26, 2018
Wang Xuehai	49	Independent non-executive Director	November 22, 2020
Cheung Yiu Leung Andy	64	Independent non-executive Director	April 12, 2024
Shi Chenyang	56	Independent non-executive Director	April 12, 2024

Directors and Senior Management

Executive Directors

Dr. Zhang Fangliang (章方良), aged 59, is the co-founder and an executive Director of the Company. He was appointed as a Director on 21 May 2015, redesignated as an executive Director and appointed as chairman of the Board on 24 August 2015, redesignated from an executive Director to a non-executive Director on 2 August 2020, resigned from a non-executive Director and chairman of the Board on 22 November 2020, reappointed as a non-executive Director on 2 May 2022, and redesignated from a non-executive Director to an executive Director on 17 December 2022. As our executive Director, he is primarily responsible for the overall strategic development and planning, the risk management, and the investments, mergers and acquisitions of the Group. He is one of the founders and a director of Genscript Corporation ("**GS Corp**"). He was a director and chairman of our non-wholly-owned subsidiary Legend Biotech Corporation (NASDAQ: LEGN) from 27 May 2015 to 22 November 2020 and was its chief executive officer from 2 August 2020 to 22 November 2020. He was reappointed as a director of Legend Biotech on 2 August 2022 and was reappointed as chairman of Legend Biotech on the same day. Dr. Zhang is currently a director of the following members of the Group: GenScript Bioscience (BVI) Limited, Genscript USA Incorporated ("**GS USA**"), GenScript USA Holding, Inc., CustomArray, Inc., GenScript (Hong Kong) Limited ("**GS HK**"), GenScript Biotech (Singapore) Pte. Ltd., GenScript Biotech (Netherlands) B.V., Genscript Biotech (Spain), S.L. Bestzyme, Bestzyme Biotech Limited, Bestzyme USA Inc., Bestzyme Biotech HK Limited, Bestzyme Hongkong Limited, Bestzyme Biotech Inc., Legend Biotech Limited, Legend Biotech HK Limited, Legend Biotech USA Inc., Legend Biotech Ireland Limited, Legend Biotech Belgium BV, Yangtze Investment (BVI) Limited, Yangtze Investment USA, Inc., Yangtze Holdings (BVI) Limited, Yangtze Investment (HK) Limited, Curegene Biotech Corporation, Curegene Biotech (BVI) Limited, Curegene Biotech (HK) Limited, Probio Technology Limited and Nanjing Bestzyme Bio-Engineering Co., Ltd.* (南京百斯傑生物工程有限公司). Dr. Zhang is a chairman of our risk management and ESG committee (the "**Risk Management and ESG Committee**") and our strategy committee (the "**Strategy Committee**").

Dr. Zhang has over 26 years of experience in the biotechnology industry. Prior to joining the Group, from 1995 to 2002, he worked as a postdoctoral research fellow and an associate principal scientist at Schering-Plough. Dr. Zhang worked in the tumour biology department during his postdoctoral research at Schering-Plough. Dr. Zhang was also one of the key team members for an anti-cancer drug, farnesyl transferase inhibitor. After Dr. Zhang's postdoctoral studies, he was recruited to the department of central nervous system and cardiovascular system at Schering-Plough. He became one of the project leaders focusing on G-protein coupled receptors and led a group of scientists to discover the drug target for a billion-dollar drug. As a result of this discovery, Dr. Zhang won a Presidential Award at Schering-Plough in 2001. From 2002 to August 2020, Dr. Zhang worked as the chief executive officer of the Company, where he was involved in a variety of key biotechnological research projects and provided guidance and directions to those biotechnological research projects.

Dr. Zhang obtained a Bachelor of Engineering degree from Chengdu College of Geology* (成都地質學院) (currently known as Chengdu University of Technology* (成都理工大學)) in the PRC in July 1984 and a Master of Science degree from Nanjing University in the PRC in July 1987. He also obtained a Doctor of Philosophy degree from Duke University in the U.S. in September 1995.

Directors and Senior Management

Mr. Meng Jiange (孟建革), aged 55, is the chairman and an executive Director of the Company. He was appointed as an executive Director of the Company on August 24, 2015 and was appointed as the chairman of the Board with effect from November 22, 2020. He is primarily responsible for the development, positioning, and strategy planning of the Group. He was appointed as the vice president of finance of the Group in April 2010 when he joined the Group, was the vice president of investor relations from December 1, 2017 to December 31, 2019 and was the secretary of the Board from January 1, 2020 to November 22, 2020. Mr. Meng is currently a director of Probio Technology I Limited, Probio Technology Limited, Probio Technology (BVI) Limited, Probio Technology HK Limited and Nanjing Bestzyme Bio-Engineering Co., Ltd.* (南京百斯傑生物工程有限公司). Mr. Meng is the chairman of our nomination committee (the "**Nomination Committee**").

Mr. Meng has over 29 years of experience in finance and accounting. Prior to joining the Group, from July 1990 to October 1997, Mr. Meng worked at CCCC Guangzhou Dredging Co., Ltd.* (中交廣州航道局有限公司). From January 1999 to May 2000, Mr. Meng worked as the national finance manager at Guangdong Whirlpool Home Appliance Group* (廣東惠而浦家電集團). From May 2000 to July 2004, Mr. Meng worked at Schering-Plough China* (先靈葆雅中國公司) as a branch finance manager and the accounting and IT manager in the head office. From September 2004 to December 2007, Mr. Meng worked as the Asia finance controller of Saint Gobain Grains and Powder Division. From March 2008 to March 2010, Mr. Meng worked as the chief financial officer of Quay Magnesium.

Mr. Meng graduated from Changsha Communications Institute* (長沙交通學院) (currently known as Changsha University of Science Technology* (長沙理工大學) in the PRC with a Bachelor of Engineering degree in July 1990. He obtained a master of finance degree from Queen's university at Kingston, Canada in October 2022.

Ms. Wang Ye (王燁), aged 55, is the co-founder, an executive Director and the president of the Company. She was appointed as a Director on May 21, 2015 and has been redesignated as an executive Director on August 24, 2015 and is primarily responsible for the Group's strategies and overall operational management. Ms. Wang is currently a director of the following members of the Group: GenScript Bioscience (BVI) Limited (formerly known as Genscript Biotech Limited), GS HK, GS USA, Bestzyme, Bestzyme Biotech Limited, Bestzyme Biotech USA Inc., Bestzyme Hongkong Limited, Nanjing Bestzyme Bio-Engineering Co., Ltd.* (南京百斯傑生物工程有限公司), Legend Biotech, Nanjing Legend Biotech Co., Ltd.* (南京傳奇生物科技有限公司), Maple Bio, CustomArray, Inc., Probio Technology I Limited, Probio Technology Limited, Probio Technology (BVI) Limited, Probio Technology HK Limited and Probio Technology (Netherlands) B.V.. Ms. Wang is the partner of Nanjing Genbest Enterprise Management Center (Limited Partner)* (南京金百企業管理中心(有限合夥)). Ms. Wang is the trustee and president of Ren-Shiu Foundation, Inc. Ms. Wang is a member of our remuneration committee (the "**Remuneration Committee**").

She joined the Group in August 2002 and served as the sales account manager until January 2005. In the Group, she worked as the sales and marketing director from February 2005 to August 2009, vice-president of operations from September 2009 to August 2011, and executive vice-president of operations from September 2011 to March 2014. She has been the chief operating officer of the Group in April 2014 until her redesignation as the president in December 1. Prior to joining the Group, she worked as the environmental monitoring engineer at Shenzhen Futian Environment Protection Surveillance Station* (深圳市福田區環境保護監測站) from July 1993 to July 2000.

Ms. Wang obtained a Bachelor of Science in Microbiology and a Master of Science degree from Wuhan University* (武漢大學) in the PRC in July 1990 and in August 1993, respectively. She also obtained a Master of Science in Computer Sciences degree from Bridgeport University in the U.S. in December 2003. She obtained an Executive Master of Business Administration degree from the China Europe International Business School* (中歐國際工商學院) in the PRC in August 2014.

Dr. Zhu Li (朱力), aged 74, is an executive Director and chief strategy officer of the Company. He is primarily responsible for strategy planning of the Company. Dr. Zhu was the vice president of strategy of the Group from March 2010 to February 2017, the chief strategy officer of the Company from February 2017 to July 2019, and a consultant for the Company from July 16, 2019 to November 21, 2020. He was appointed as an executive Director with effect from November 22, 2020. Upon his appointment as executive Director, he resumed his role as the chief strategy officer of the Company. Dr. Zhu is currently a director of the following members of the Group: Novagene Biotech (Cayman) Corporation, GenScript Diagnostics Corporation, GenScript Diagnostics (BVI) Inc., GenScript Diagnostics HK Limited, Probio Technology I Limited, Probio Technology (BVI) Limited, Probio Technology HK Limited, GenScript Probio USA Inc., Nanjing Legend Biotech Co., Ltd.* (南京傳奇生物科技有限公司). Dr. Zhu is also a director of GoldenStar Investment Incorporation.

Before joining the Group, Dr. Zhu worked at Clontech Laboratories, Inc. in California, USA as a director of molecular biology from January 1990 to March 2000, where he pioneered the commercialisation of yeast two-hybrid system and a series of other advanced molecular biology techniques. Dr. Zhu founded Genetastix Corporation, Inc. and acted as the president and chief executive officer from May 2000 to December 2005. Genetastix Corporation, Inc. is a biotech company with a focus in creating a human antibody library in yeast and applying the genetic method in screening such antibody. Dr. Zhu then worked at biotech companies in China, serving as vice president of research at Cathay Biotech, Inc. from July 2006 to December 2008, and as vice president of HUYA Biomedical Technology (Shanghai) Co., Limited* (滬亞生物醫藥技術(上海)有限公司) from January 2009 to December 2009. Dr. Zhu was appointed as an independent director of Adagene Inc., the shares of which are listed on the Nasdaq Global Selected Market (stock code: ADAG) with effect from August 2023.

Dr. Zhu obtained a Bachelor of Science of Biology degree from the East China Normal University (華東師範大學) in June 1982 and a Doctor of Philosophy in molecular biology and immunology from Stanford University in July 1989.

Non-executive Directors

Dr. Wang Luquan (王魯泉), aged 54, is a co-founder and a non-executive Director of the Company. He was appointed as a Director on May 21, 2015 and redesignated as a non-executive Director of the Company on August 24, 2015 and is primarily responsible for the Group's strategies and operational management. From 2003 to 2014, Dr. Wang was the president of GS Corp and is still currently a director of GS Corp. Dr. Wang is currently the director of two of the Company's subsidiaries, namely, GS HK and GS USA.

Dr. Wang has nearly 29 years of experience in the biotechnology industry. He has been appointed as the chief executive officer and chairman of Vibrant Pharma Ltd.* (信華生物藥業(廣州)有限公司) since December 2020. Prior to joining the Group, from 1991 to 1996, he worked as a graduate research assistant, and from 1995 to 1996, a bioinformatics staff at Rutgers University in the U.S. From 1996 to 2003, Dr. Wang was a senior principal scientist at Schering-Plough Research Institute.

Dr. Wang obtained a Bachelor of Science in Biochemistry degree from Shandong University* (山東大學) in the PRC in July 1991 and a Doctor of Philosophy degree from Rutgers University in the U.S. in October 1996.

Directors and Senior Management

Mr. Pan Yuexin (潘躍新), aged 65, was appointed as a non-executive Director of the Company on August 24, 2015 and is primarily responsible for the Group's strategies and operational management. Mr. Pan is a member of our Strategy Committee.

Mr. Pan was a partner of Jun He Law Offices (君合律師事務所) from October 1992 to May 2003 and July 2009 to February 2013. Mr. Pan has been a non-executive director of Shanghai Sunshine Esailchem Technology Co., Ltd.* (上海朗暉數化科技股份有限公司), the shares of which are listed on the New Three Board (China's Share Transfer System for Small and Medium-sized Companies), since August 2015, the chairman of Shanghai Lvpai Enterprise Management Consulting Co, Ltd.* (上海律派企業管理諮詢有限公司) since May 2016, the chairman of Shaoxing Lvpai Enterprise Management Co, Ltd.* (紹興律派企業管理股份有限公司) since December 2018, the chairman of Shaoxing Luchang Culture Development Co. Ltd.* (紹興律昌文化發展有限公司) since January 2019 and a director of Shanghai Bestway Medical Technology Group Co., Ltd.* (上海柏萫醫療科技集團股份有限公司) since April 2019.

Mr. Pan was the committee member and secretary general of the Education Committee of the All China Lawyers Association, PRC* (中華全國律師協會) from 2001 to 2003. He was also the director of the Hainan and Shanghai branches of Jun He Law Offices (君合律師事務所) from October 1992 to May 2003 and deputy director of the Education Committee of the Shanghai Bar Association* (上海市律師協會) from 2000 to 2003.

Mr. Pan was an independent non-executive director of Jiangling Motors Co., Ltd.* (江鈴汽車股份有限公司, SZSE: 000550), which is listed on the Shenzhen Stock Exchange, from 2005 to 2009, Sinochem International Corporation* (中化國際貿易股份有限公司, SHA: 600500), which is listed on the Shanghai Stock Exchange, from 2002 to 2003, Shanghai Tunnel Engineering Co., Ltd.* (上海隧道工程股份有限公司, SHA: 600820), which is listed on the Shanghai Stock Exchange, from 2009 to 2016, Great Wall Movie and Television Co., Ltd.* (長城影視股份有限公司, SZSE: 002071), which is listed on the Shenzhen Stock Exchange, from 2011 to 2014, and Simei Media Co., Ltd.* (思美傳媒股份有限公司, SZSE: 002712) from 2009 to 2012 before it was listed on the Shenzhen Stock Exchange in 2014.

Mr. Pan graduated from the Zhejiang Branch of the Open University of China* (中央廣播電視大學浙江分校) with a Chinese language and literature diploma in July 1985. Mr. Pan graduated from the Chinese Academy of Social Sciences* (中國社會科學院) with an economic law post graduate degree in July 1987.

Ms. Wang Jiafen (王佳芬), aged 72, was appointed as a non-executive Director of the Company on November 26, 2018 and is primary responsible for the Group's strategies and operational management. Ms. Wang is a member of our Strategy Committee.

Ms. Wang has over 44 years of experience in corporate management across various industries, including financial, food and retail services. She is currently the chairwoman of Shanghai Guanji Enterprise Management Consulting Co., Ltd.* (上海觀詰企業管理諮詢公司) and a coach of Shanghai Lingjiao Enterprise Management Consulting Co. Ltd.* (上海領教企業管理諮詢有限公司). She has previously served as the vice chairwoman of Ping An Trust Co., Ltd.* (平安信託有限責任公司) from 2011 to 2015. From 2008 to 2011, she was a partner of Granite Global Ventures (紀源資本). From 1996 to 2008, Ms. Wang served as the chairwoman and general manager of Bright Dairy Co., Ltd.* (光明乳業股份有限公司) (SHA: 600597). From 1992 to 2002, she served as the chairwoman and general manager of Shanghai Diary Company* (上海市牛奶公司).

Ms. Wang has been serving as a non-independent director of Shanghai Rongtai Health Technology Corporation Limited* (上海榮泰健康科技股份有限公司) (SHA: 603579) since October 2019, a non-executive director of Bondex Supply Chain Management Co., Ltd.* (海程邦達供應鏈管理股份有限公司) (SHA: 603836) since October 2018, an independent director of BESTORE Co., Ltd.* (良品鋪子股份有限公司) (SHA: 603719) from November 2017 to July 2022 and re-designed as its non-independent director in July 2023, and a non-independent director of Zhende Medical Co., Ltd. (振德醫療用品股份有限公司) (SHA: 603301) since 2016. She has also served as an independent director of Eurocrane (China) Co., Ltd.* (法蘭泰克重工股份有限公司) (SHA: 603966) from 2017 to 2018, a director of Meinian Onehealth Healthcare Holdings Co., Ltd. (美年大健康產業控股股份有限公司) (SZSE: 002044) from 2013 to 2019, a director of Shanghai Xintonglian Packaging Co., Ltd. (上海新通聯包裝股份有限公司) (SHA: 603022) from 2011 to 2022, a independent director of UE Furniture Co., Ltd.* (浙江永藝傢俱股份公司) (SHA: 603600) from 2017 to 2021 and its non-independent director from 2021 to March 2024.

Ms. Wang obtained her college degree in business management from Shanghai Television University* (上海電視大學) in 1986 (now known as Shanghai Open University* (上海開放大學). She obtained her master degree in business administration from China Europe International Business School (中歐國際工商學院) in 2004.

Independent Non-executive Directors

Mr. Guo Hongxin (郭宏新), aged 60, was appointed as an independent non-executive Director of the Company on August 24, 2015. Mr. Guo is the chairman of our remuneration committee and a member of our audit committee (the "**Audit Committee**") and Risk Management and ESG Committee.

From July 1983 to March 1998, Mr. Guo was working at the Nanjing School of Chemical Engineering. Since April 1998, he has been the chairman of the board of Sunpower Group Ltd., which was listed on the Singapore Exchange SESDAQ in March 2005 and has been listed on the Singapore Exchange Mainboard since August 2007 (SPWG: Singapore Exchange).

Mr. Guo obtained a Diploma in Chemical Thermal Engineering from Nanjing Chemical Engineering College* (南京化工動力專科學校) (currently known as Nanjing Normal University) in the PRC in July 1983. Mr. Guo obtained a senior engineering qualification from Nanjing University of Chemical Technology* (南京化工大學) (currently known as Nanjing Tech University* (南京工業大學) in the PRC in March 1997. He also obtained a Doctor of Philosophy in Geotechnical Engineering degree from the Chinese Academy of Sciences* (中國科學院) in the PRC in January 2010. He also obtained an Executive Master of Business Administration degree from Tsinghua University* (清華大學) in the PRC in July 2014 and he was qualified as a senior engineer by the Advanced Professional Technical Qualification Evaluation Committee of Mechanical Engineering* (機械工程高級專業技術資格評審委員會評審), Nanjing, Jiangsu Province in November 2018. Mr. Guo was awarded the title of distinguished professor of Nanjing Tech University in May 2021.

Directors and Senior Management

Mr. Dai Zumian (戴祖勉), aged 46, was appointed as an independent non-executive Director of the Company on August 24, 2015. Mr. Dai is the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee.

Mr. Dai is a member of the Chinese Institute of Certified Public Accounts as well as a fellow of Association of Chartered Certified Accountants. From July 1999 to August 2006, he gained over seven years' experience in auditing. His experience in auditing includes that gained at PricewaterhouseCoopers Zhongtian Certified Public Accountants (普華永道中天會計師事務所) from February 2005 to August 2006.

Mr. Dai was the qualified accountant and company secretary of Hisense Kelon Electrical Holdings Limited (海信科龍電器股份有限公司, HKSE: 921, SZSX: 000921), which is listed on the Main Board of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, from September 2006 to August 2007. Mr. Dai served as the chief financial officer of Shanghai Golden Monkey Food Joint Stock Co., Ltd.* (上海金絲猴食品股份有限公司) from February 2009 to April 2012, of Xiezhong International Holdings Limited (協眾國際控股有限公司, HKSE: 3663) which is listed on the Main Board of the Hong Kong Stock Exchange, from May 2012 to June 2017, of Roseonly Group Co., Ltd.* (諾誓集團有限公司) from October 2017 to April 2019, and of Shanghai Sanxi Big Data Technology Co., Ltd.* (上海三熙大數據技術有限公司) from April 2019 to June 2021. Mr. Dai served as the chief financial officer of Shanghai Sanxi Information Technology Co., Ltd.* (上海三熙信息技術有限公司, previously named Shanghai Jiuli Information Services Co., Ltd.* (上海九曆信息服務有限公司)) from July 2021 to March 2022 and was redesignated as its chairman in March 2022. He has been an independent non-executive director of Beijing Hanyi Keyin Information Technology Co., Ltd.* (北京漢儀創新科技股份有限公司) (SZ: 301270) since September 2019.

Mr. Dai graduated from Shanghai University of Finance and Economics* (上海財經大學) in the PRC with a Bachelor of International Business Administration degree in June 1999. He also holds an Executive Master of Business Administration degree from China Europe International Business School* (中歐國際工商學院) in the PRC earned in October 2013.

Mr. Pan Jiuan (潘九安), aged 55, was appointed as an independent non-executive Director of the Company on November 26, 2018. Mr. Pan is the member of the Audit Committee, the Nomination Committee and the Risk Management and ESG Committee.

Mr. Pan has over 24 years of experience in human resources and management across various industries, including education, kitchen electrical appliances, office automated facilities, textile and garment. He is currently the chief executive officer of Ningbo Liangzhixin Culture Media Co., Ltd.* (寧波良知行文化傳媒有限公司) from January 2021. From May 2020 to December 2020, he served as the chief executive officer of Shanghai FastLink Door Co., Limited* (上海快聯門業有限公司). From 2018 to 2020, he served as the chief human resources officer of Shanghai Lingjiao Enterprise Management Consulting Co. Ltd* (上海領教企業管理諮詢有限公司). From 2010 to 2013 and 2003 to 2010, he served as the corporate group director of human resources of each of K-Boxing Men's Wear (Shanghai) Co. Ltd.* (勁霸男裝(上海)有限公司) and Ningbo Fotile Kitchen Appliances Co. Ltd.*. (寧波方太廚具有限公司), respectively. From 1994 to 2002, he was the deputy manager, manager, and senior manager of Minolta Industries (HK) Limited (美能達實業(香港)有限公司).

Mr. Pan obtained his bachelor degree in law from Central South University of Technology* (中南工業大學) (now known as Central South University* (中南大學) in 1991. He obtained his qualification as a lawyer in the PRC in 1994. He also obtained the national manager qualification* (國家一級經理人資格) from Shanghai Jiao Tong University Center for Quality Management* (上海交通大學卓越管理中心) in 2016. He further obtained the certificate of chief human resources officer from Renmin University* (中國人民大學) in 2018.

Dr. Wang Xuehai (王學海), aged 49, was appointed as an independent non-executive Director on November 22, 2020.

From October 2000 to February 2003, Dr. Wang served as a vice president of Humanwell Healthcare (Group) Co., Ltd. (人福醫藥集團股份公司) ("**Humanwell Healthcare**"), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600079). He served as the president of Humanwell Healthcare from February 2003 to October 2006, and then as the chairman of Humanwell Healthcare from October 2006 to April 2020. He also served as the chairman of Lifestyles Healthcare Pte Ltd* (樂福思健康集團公司) since September 2017 and as the chairman of Wuhan Jissbon Sanitary Products Limited* (武漢傑士邦衛生用品有限公司) since February 2001. Dr. Wang has been serving as a director of Humanwell Healthcare since April 2020 and as an independent director of Douyu International Holdings Limited, the shares of which are listed on the Nasdaq Global Select Market (stock code: DOYU), since March 2019.

Dr. Wang is also the vice president of China Pharmaceutical Enterprises Association* (中國醫藥企業管理協會), an executive committee member of All-China Federation of Industry and Commerce* (中華全國工商業聯合會), a member of Hubei Provincial Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議湖北省委員), the vice chairman of Hubei Federation of Industry and Commerce* (湖北省工商業聯合會), the president of Hubei Pharmaceutical Industry Association* (湖北省醫藥行業協會), and the president of Wuhan Young Entrepreneur Association* (武漢市青年企業家協會).

Dr. Wang obtained a Bachelor degree in geochemistry from the China University of Geosciences* (中國地質大學) in 1996, and a Master degree and Doctor's degree in business management both from the Wuhan University* (武漢大學) in 1999 and 2003, respectively. He also obtained an Executive Master of Business Administration from the Central Connecticut State University (中康乃狄克州立大學) in 2002.

Mr. Cheung Yiu Leung Andy (張耀樑), aged 64, was appointed as an independent non-executive Director on April 12, 2024. He is currently a member of the Nomination Committee.

Mr. Cheung has over 30 years of professional accounting and auditing experience. He has been a member of Hong Kong Institute of Certified Public Accountants since October 1986 and was a member of its disciplinary panel from January 2015 to December 2020.

Mr. Cheung is currently serving as a director in various public companies in Hong Kong and the United States. Mr. Cheung has been an independent non-executive director and chairman of the audit committee of each of JW (Cayman) Therapeutics Co. Ltd and Hua Medicine, companies the shares of which are listed on the Stock Exchange (stock codes 2126 and 2552 respectively) since October 2020 and January 2023 respectively. In addition, Mr. Cheung has been an independent non-executive director and chairman of the audit committee of CanSino Biologics Inc., a company the shares of which are listed on the Stock Exchange (stock code: 6185) and the Shanghai Stock Exchange (stock code: 688185), since February 2024. He is also an independent director and the chairman of the audit committee of Adagene Inc., a company the shares of which are listed on Nasdaq Stock Market (stock code: ADAG), since February 2021.

Directors and Senior Management

From July 2018 to June 2020, Mr. Cheung was the deputy area managing partner of Ernst & Young ("**EY**") in Asia Pacific, overseeing its business operations, finance, information technology and risk management functions. During the same period, Mr. Cheung was a member of each of the EY Asia Pacific's Area Operating Executives, EY's Global Accounts Committee and EY's Global Markets and Investment Committee. From July 2013 to June 2018, Mr. Cheung was EY's assurance managing partner in Greater China, managing its audit, financial accounting advisory, forensic and climate changes and sustainability services. During that period, he was also a member of EY Greater China's leadership team. Mr. Cheung's other prior responsibilities with EY include his service as the chief operating officer of EY Hua Ming LLP from July 2011 to June 2013, an assurance partner of EY China from July 2010 to June 2011 and the area chief financial officer of EY Asia Pacific from July 2009 to June 2010. Prior to joining EY in September 2006, Mr. Cheung was an assurance partner with PricewaterhouseCoopers Zhong Tian LLP and an assurance partner with Arthur Andersen in China and Hong Kong successively.

Mr. Cheung obtained a bachelor's degree in accounting and finance from the University of Lancaster in the United Kingdom in June 1982, and a master's degree in accounting and finance from London School of Economics in the United Kingdom in August 1983.

Dr. Shi Chenyang (施晨陽), aged 56, was appointed as an independent non-executive Director on April 12, 2024. He is currently a member of the Nomination Committee.

Dr. Shi has over 30 years of experience in life science research and development, sales and marketing, business development and investment. Since January 2017, Dr. Shi has been the managing partner of Serica Partners, a China-based venture fund focused on the investment in vitro diagnostics ("**IVD**") and medical devices in China. Dr. Shi has been the chairperson of careLYFE Co., Ltd., a company dedicated to innovating medical technologies such as new cancer oncology biomarkers, precision diagnosis, and internet medical services, since December 2017. Dr. Shi has been a board member of Guangzhou AnchorDx Medical Co., Ltd., a diagnostics company focused on developing cancer early detection tests, since October 2017.

Dr. Shi previously served as an executive director and the chief executive officer of Adicon International Limited, a leading independent clinical laboratory in China, from October 2018 to April 2019, and from April 2019 to May 2020, respectively. From February 2017 to March 2019, Dr. Shi served as director and chief executive officer of NuProbe Global, Inc., a liquid biopsy technology company which he co-founded. He was the president of Asia Pacific of QIAGEN N.V., a leading company focused on IVDs and life science research tools whose shares are listed on NASDAQ (stock code: QGEN) and the Frankfurt Stock Exchange (stock code: QIA) respectively, from October 2005 to February 2015. Prior to joining QIAGEN N.V., Dr. Shi held senior positions at Bridge Pharmaceuticals, GenoSpectra Inc. (renamed as Panomics Inc. since February 2006) and A.M. Pappas&Associates, and served as a faculty member at the School of Medicine of National University of Singapore.

Dr. Shi was a founding director of BayHelix Group, a global association of Chinese life science business executives, and was elected its chairman from January 2017 to January 2019. Dr. Shi has been a member on the Biotech Advisory Panel of Hong Kong Stock Exchange since April 2018.

Dr. Shi obtained his doctoral degree in biophysics and master's degree in science from the University of Rochester in New York, the United States in April 1991 and January 1989 respectively, and a bachelor's degree in science from University of Science and Technology of China, the PRC in July 1986.

SENIOR MANAGEMENT

The following table sets out certain information concerning our senior management:

Name	Age	Year of joining the Group	Date of Appointment
Zhang Fangliang	(see above)	(see above)	(see above)
Meng Jiange	(see above)	(see above)	(see above)
Wang Ye	(see above)	(see above)	(see above)
Zhu Li	(see above)	(see above)	(see above)
Shao Weihui	44	July 1, 2005	Appointed as the chief operating officer of the Company on July 8, 2021 and appointed as a rotating chief executive officer of the Company with effect from January 1, 2023
Liu Zhenyu	47	May 11, 2009	August 2, 2020
Wei Shiniu	44	September 2, 2019	December 1, 2020

Dr. Zhang Fangliang (章方良), is the executive Director of the. Please refer to the previous section headed "Executive Directors" for the biography of Dr. Zhang.

Mr. Meng Jiange (孟建革), is the chairman and the executive Director of the. Please refer to the previous section headed "Executive Directors" for the biography of Mr. Meng.

Ms. Wang Ye (王燁), is the co-founder, the executive Director and president of the Company. Please refer to the previous section headed "Executive Directors" for the biography of Ms. Wang.

Dr. Zhu Li (朱力), is the executive Director, chief strategy officer of the Company. Please refer to the previous section headed "Executive Directors" for the biography of Dr. Zhu.

Ms. Shao Weihui (邵煒慧), aged 44, has been appointed as a rotating chief executive officer of the Company with effect from January 1, 2023 and she will be on duty on yearly basis with effect from such date, subject to rotation on yearly basis. She was appointed as the chief operating officer of the Company on July 8, 2021 and is primarily responsible for the supporting functions of the Company, including human resources, supply chain, engineering and instrument, information technology, quality and environmental, health and safety functions. She is a member of the sanctions risk control committee (the "**Sanctions Risk Control Committee**").

Directors and Senior Management

Ms. Shao has over 17 years of management experience in the life-science and biologics development industry. Ms. Shao joined the Group in July 2005. From July 2005 to April 2017, Ms. Shao served in a number of positions at the Group, including a group leader of antibody department, a manager of antibody development and a vice president of reagent service production center. From April 2017 to April 2019, Ms. Shao worked as the deputy general manager of the reagent service business unit. From April 2019 to August 2020, Ms. Shao served as the president of life science group. From August 2020 to February 2021, she worked as the president of European division. From February 2021 to July 2021, she worked as China President. She was appointed as the chief operating officer of the Company in July 2021.

Ms. Shao, obtained her Bachelor of Science degree in biology from Nanjing Normal University* (南京師範大學) in the PRC in June 2002 and a Master of Science degree in Preventive Veterinary from Yangzhou University* (揚州大學) in the PRC in June 2005.

Dr. Liu Zhenyu (柳振宇), aged 47, has been appointed as chief executive officer of the Company, subject to retirement by rotation on yearly basis, with effect from August 2, 2020 and is primarily responsible for overseeing the Company's daily operations. He completed his term of duty on December 31, 2022 and will remain as a rotating chief executive officer of the Company. He is a member of our Sanctions Risk Control Committee.

Dr. Liu, obtained his Bachelor in Science degree in biochemistry and molecular biology from Nankai University* (南開大學) in the PRC in June 1998, a Master in Science degree in neurophysiology from Peking University* (北京大學) in the PRC in June 2001 and a Doctor of Philosophy degree in neurobiology from University of Pittsburgh School of Medicine in the U.S. in November 2007.

Dr. Liu has over 13 years of management experience in the life-science and biologics development industry. Dr. Liu joined the Group in May 2009. From May 2009 to August 2015, Dr. Liu served in a number of positions at the Group, including as a senior scientist of discover biology, a director of bioprocess development and a director of institute of biotechnology research. From September 2015 to April 2019, Dr. Liu worked as the general manager of the reagent service business unit. From January 2017 to April 2019, Dr. Liu served as the president of biosciences group. From April 2019 to August 2020, he worked as the president of European division of the Company. He was appointed as the rotating chief executive officer of the Company in August 2020. Dr. Liu is currently a director of CustomArray Inc. and the chairman of the board of directors of Probio Technology Limited.

Prior to joining the Group, Dr. Liu was a postdoctoral scholar at David Geffen School of Medicine of University of California, Los Angeles from November 2007 to May 2009.

Mr. Wei Shiniu (魏師牛), aged 44, was appointed as the chief financial officer of the Company on December 1, 2020 and is primarily responsible for the Company's overall financial operation management. Mr. Wei joined the Group in September 2019 as vice president of strategy and investor relations. He was appointed as member of the Sanctions Risk Control Committee with effect from March 19, 2022.

Prior to joining the Group, Mr. Wei worked as an executive director of secondary market investment department in Fosun Insurance Group in New York from 2017 to 2019. He served as an equity investment analyst and a portfolio manager in Investment Strategies Fund from 2010 to September 2016. From 2009 to May 2010, he worked as an analyst at Protocol Capital Management and prior to that, he worked as a researcher of Research Foundation at the City University of New York.

Mr. Wei obtained his Bachelor of Science degree in Biochemistry from Nanjing University* (南京大學) in 2000 and his Master degree in Business Administration from Baruch College in 2011.

REPORT OF THE DIRECTORS

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

CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on May 21, 2015 as an exempted company with limited liability under the laws of the Cayman Islands. The Shares were listed on the Main Board of the Stock Exchange on December 30, 2015 (the "**Listing**" or the "**Listing Date**").

PRINCIPAL ACTIVITIES

The Company is a well-recognised life-science research and application service and product provider that applies its proprietary technology to various fields from basic life-science research to translational biomedical development, industrial synthetic products, and cell therapeutic solutions. The broad and integrated life-science research and application service and product portfolio comprises main four business units, namely, (i) life-science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, and (iv) cell therapy. The services and products are primarily used by scientists and researchers for conducting fundamental life-science research, translational biomedical research, and early stage pharmaceutical development. Its development services are used by biopharmaceutical and biotech companies for the development of therapeutic antibodies, and gene or cell therapy products with an integrated platform. Its industrial synthetic biology products are also used by industry users of industrial enzymes, such as those in the feed, alcohol, food and household care industries. Its cell therapy products are used to treat refractory diseases including cancer and inflammatory diseases. Our customers are primarily located in North America, Europe, the PRC, Japan and the other Asia Pacific regions. The analysis of the principal activities of the Company's subsidiaries are set out in note 1 to the financial statements.

RESULTS AND APPROPRIATIONS

The consolidated results of the Group for the year ended December 31, 2023 are set out on pages 106 and 107 of this annual report.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board did not recommend the payment of final dividend for the year ended December 31, 2023.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders to attend and vote at the forthcoming AGM to be held on Friday, May 17, 2024, the register of members of the Company will be closed from Monday, May 13, 2024 to Friday, May 17, 2024 (both dates inclusive), during which period no transfer of shares will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, May 10, 2024.

Report of the Directors

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 8 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

The revenue attributable to the top five customers of 2023, accounted for 7.7% of the Company's operating income for the year ended December 31, 2023. The revenue from the largest single customer, being Legend's collaborative partner, accounted for 4.2% of the Company's operating income for the year ended December 31, 2023.

Major Suppliers

In 2023, the turnover attributable to the top five suppliers accounted for 15.3% of the Company's total purchases for the year ended December 31, 2023. The turnover of the largest single supplier, accounted for 5.1% of the Company's total purchases for the year ended December 31, 2023.

During the Reporting Period, to the knowledge of the Directors, none of the Directors or any of their close associates or any shareholders (which to the knowledge of the Directors own more than 5.0% of the Company's issued share capital) had an interest in any of the Company's top five customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, and equipment of the Group during the Year are set out in note 13 to the financial statements in this annual report.

SHARE CAPITAL

As at December 31, 2023, 2,123,162,624 ordinary shares were issued. Details of movements in the share capital of the Company during the year ended December 31, 2023 are set out in note 32 to the financial statements in this annual report.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 110 and 111 in this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2023, the Company did not have any distributable reserves (as of December 31, 2022: nil).

DIRECTORS

The Directors during the year ended December 31, 2023 and up to the date of this annual report were:

Executive Directors

Dr. Zhang Fangliang
Mr. Meng Jiange *(Chairman)*
Ms. Wang Ye
Dr. Zhu Li

Non-executive Directors

Dr. Wang Luquan
Mr. Pan Yuexin
Ms. Wang Jiafen

Independent Non-executive Directors

Mr. Guo Hongxin
Mr. Dai Zumian
Mr. Pan Jiuan
Dr. Wang Xuehai
Mr. Cheung Yiu Leung Andy (effective from April 12, 2024)
Dr. Shi Chenyang (effective from April 12, 2024)

Pursuant to the memorandum and articles of association of the Company (the "**Articles**"), each of Dr. Zhang Fangliang, Mr. Meng Jiange, Dr. Zhu Li, Dr. Wang Luquan, Mr. Cheung Yiu Leung Andy and Dr. Shi Chenyang will retire at the AGM and, being eligible, Dr. Zhang Fangliang, Mr. Meng Jiange, Dr. Zhu Li, Mr. Cheung Yiu Leung Andy and Dr. Shi Chenyang will offer themselves for re-election. Biographical details of the Directors to be re-elected at the AGM will be set out in the circular dated April 22, 2024 to the shareholders. Dr. Wang Luquan has decided not to offer himself for re-election at the AGM as he desires to focus on his own business.

DIRECTORS' PROFILES

Biographical details of Directors and senior management of the Company is set out on pages 37 to 46 in this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into service contracts with the Company for a fixed term of three years commencing on December 17, 2022 for Dr. Zhang Fangliang, that on December 1, 2021 for Mr. Meng Jiange and Ms. Wang Ye, and that on November 22, 2023 for Dr. Zhu Li. Their appointments can be terminated before the expiration of the term by not less than six months' notice in writing served by either party on the other.

Each of the non-executive Directors has signed appointment letters with the Company for a term of three years. The effective date of the appointments of Dr. Wang Luquan and Mr. Pan Yuexin is August 24, 2021, and that of Ms. Wang Jiafen is November 26, 2021. Their appointments are subject to termination in accordance with their respective terms.

Each of the independent non-executive Directors has signed appointment letters with the Company for a term of three years. The effective date of the appointment of Mr. Guo Hongxin and Mr. Dai Zumian is August 24, 2021, that of Mr. Pan Jiuan is November 26, 2021, that of Dr. Wang Xuehai is November 22, 2023, and that of Mr. Cheung Yiu Leung Andy and Dr. Shi Chenyang is April 12, 2024. Their appointments are subject to termination in accordance with their respective terms.

Save as disclosed herein, none of the Directors has entered into any service contract with the Group that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Company or any of its subsidiaries entered into, whether directly or indirectly, any transactions, arrangements and contracts of significance that a Director had a material interest in, that was related to the Company's business, and/or that subsisted during and up to the end of the Year.

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

The Articles provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto. A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company had taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers during the Reporting Period.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Schemes and RSA Schemes of the Company as set out in this report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2023.

SHARE INCENTIVE SCHEMES

The Company has adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the 2019 RSA Scheme and the 2021 RSA Scheme. Legend has adopted the Legend Share Option Scheme and Legend Restricted Shares Plan. Probio has adopted the Probio RSUA Scheme. The purpose of the Share Option Schemes and the RSA Schemes is to enable us to grant options or restricted shares to selected participants as incentives or rewards for their contributions. The Directors consider that the Share Option Schemes and the RSA Schemes, with its broad basis of participation, will enable the Group to reward its employees, Directors, and other selected participants for their contributions.

No further share options have been granted under the Pre-IPO Share Option Scheme since the Company was listed on the Stock Exchange.

During the Reporting Period, no share options have been granted under the Post-IPO Share Option Scheme.

During the Reporting Period, 74,645 restricted shares, 1,002,343 restricted shares, 6,315,784 restricted shares and 120,184 restricted shares were granted and accepted under the 2019 RSA Scheme on January 18, 2023, April 3, 2023, June 1, 2023, and November 28, 2023, respectively. Please refer to our announcements dated January 18, 2023, April 3, 2023, June 1, 2023, June 15, 2023 and November 28, 2023 for details. Save as disclosed, no other restricted shares have been granted under the 2019 RSA Scheme during the Reporting Period.

During the Reporting Period, 2,619,525 restricted shares, 965,155 restricted shares, 5,072,636 restricted shares, 53,881 restricted shares and 129,926 restricted shares were granted and accepted under the 2021 RSA Scheme on January 18, 2023, April 3, 2023, June 1, 2023, August 24, 2023 and November 28, 2023, respectively. Please refer to our announcements dated January 18, 2023, April 3, 2023, June 1, 2023, June 15, 2023, August 24, 2023 and November 28, 2023 for details. Save as disclosed, no other restricted shares have been granted under the 2021 RSA Scheme during the Reporting Period.

3,584,680 restricted shares granted by the Company to grantees on January 18, 2023 and April 3, 2023, collectively pursuant to the 2021 RSA Scheme (the "**RSA Grant A**") have been or will be satisfied by the Shares to be issued and allotted pursuant to the general mandate (the "**2022 General Mandate**") granted by the Shareholders at the annual general meeting of the Company held on May 27, 2022 (the "**2022 AGM**"). Pursuant to the 2022 General Mandate, the Directors may exercise the power of the Company to allot and issue new Shares up to 20% of the total number of Shares in issue as at the date of the 2022 AGM. As at December 31, 2023, 674,948 Shares have been issued under the RSA Grant A. Pursuant to the provisions of the Listing Rules, the 2022 General Mandate lapsed at the conclusion of the annual general meeting of the Company held on May 25, 2023 (the "**2023 AGM**"). In light of the above, after the issue of new Shares for the RSA Grant A, no further new Shares will be issued and allotted pursuant to the 2022 General Mandate.

5,256,443 restricted shares granted by the Company to grantees on June 1, 2023, August 24, 2023 and November 28, 2023 pursuant to the 2021 RSA Scheme (collectively, the "**RSA Grant B**") will be satisfied by the Shares to be issued and allotted pursuant to the general mandate (the "**2023 General Mandate**") granted by the Shareholders at the 2023 AGM. Pursuant to the 2023 General Mandate, the Directors may exercise the powers of the Company to allot and issue up to 423,611,705 Shares, representing 20% of the total number of Shares in issue as at the date of the annual general meeting. As at December 31, 2023, no Shares have been issued under the RSA Grant B. As such, after the issue of new Shares for the RSA Grant B, 418,355,262 Shares will remain available for future allotment and issue of the Shares under the 2023 General Mandate.

The number of shares that may be issued in respect of awards (i.e. 8,841,123 restricted shares) granted under the Share Incentive Schemes of the Company during the Reporting Period divided by the weighted average number of shares (i.e. 2,109,365,328 Shares) of the relevant class in issue for the Reporting Period is 0.42%.

Each of the Legend Share Option Scheme, Legend Restricted Shares Plan and Probio RSUA Scheme is not subject to the provision of Chapter 17 of the Listing Rules, as each of Legend and Probio Cayman is not a principal subsidiary of the Company pursuant to Rule 17.14 of the Listing Rules.

For details of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the 2019 RSA Scheme and the 2021 RSA Scheme, please see the paragraph headed "Share Option Schemes" and "Restricted Share Award Schemes" below.

SHARE OPTION SCHEMES

Summary of the Share Option Schemes

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
1. Purpose	To recognise and acknowledge the contributions that the eligible participants have or may have made to the Group and to provide the eligible participants with an opportunity to have a personal stake in the Company with a view to (1) attract skilled and experienced personnel; (2) incentivize them to remain with the Group; and (3) motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.	To provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating, and/or providing benefits to participants.
2. Participants	Directors, employees, or consultants of any member of the Group.	Directors and employees of any member of the Group.
3. Maximum number of Shares to be allotted	As of December 31, 2023, options to subscribe for Shares aggregate of 40,011,984 were outstanding, representing approximately 1.89% of the issued share capital of the Company as of December 31, 2023. No further option may be granted under the Pre-IPO Share Option Scheme. The total number of Shares available for issue under the Pre-IPO Share Option Scheme was 40,011,984 Shares, representing 1.88% of the issued Shares of the Company (i.e. 2,124,052,670 Shares) as of the date of this annual report.	The Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme shall not exceed 10% of the aggregate of the Shares in issue on the date the Shares commence trading on the Stock Exchange, being 160,000,000 Shares. The total number of Shares available for issue under the Post-IPO Share Option Scheme was 127,221,598 Shares, representing 5.99% of the issued Shares of the Company (i.e. 2,124,052,670 Shares) as of the date of this annual report.

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
4. Maximum — entitlement of each participant	—	1% of the issued share capital of the Company from time to time within any 12 month period up to the date of the latest grant.
5. The period within which the option may be exercised by the grantee	At any time and from time to time up to December 31, 2025.	The period of time to be notified by the Board to each grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option. The terms of an offer may include any minimum periods for which an option must be held and/or any minimum performance targets that must be reached, before the options can be exercised in whole or in part, and may include at the discretion of the Board other terms imposed (or not imposed), either on a case by case basis or generally.
6. Vesting Period	An option is subject to performance or other vesting conditions as set forth in the notice of grant to the grantees.	An option is subject to time-based vesting and/or performance-based vesting or other vesting conditions as set forth in the notice of grant to the grantees.
7. Time of acceptance and the amount payable on acceptance of option	On acceptance of the offer of the option, the participant shall execute and return an acceptance letter in accordance with the terms and conditions set by the Company.	An option shall remain open for acceptance by the participant concerned for a period of 21 days from the date of the offer. HK$1.00 is payable by the grantee to the Company on acceptance of the offer of the option.

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
8. Basis of determining he exercise price	From US$0.003 to US$0.103	The subscription price shall be no less than the highest of: 1. the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; 2. the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and 3. the nominal value of a Share on the date of grant.
9. Remaining life of the scheme	The Pre-IPO Share Option Scheme expired on December 30, 2015.	It shall be valid and effective for a period of ten years commencing on December 7, 2015.

Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme by a resolution of the then sole shareholder of the Company on July 15, 2015. No further share options are granted under the Pre-IPO Share Option Scheme after the Listing.

Set out below are details of the outstanding share options under the Pre-IPO Share Option Scheme:

Category/Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US$)	Number of share options: Outstanding as at January 1, 2023	Granted during the Year	Cancelled during the Year	Lapsed during the Year	Exercised during the Year[Note 1]	Outstanding as at December 31, 2023
Directors of the Company										
Meng Jiange	January 30, 2015	January 30, 2016–July 31, 2025 January 30, 2017–July 31, 2025 January 30, 2018–July 31, 2025 January 30, 2019–July 31, 2025 January 30, 2020–July 31, 2025	January 30, 2016–July 31, 2025	0.077	1,843,320	—	—	—	200,000	1,643,320
Wang Ye	March 20, 2014	December 31, 2014–July 31, 2025 December 31, 2015–July 31, 2025 December 31, 2016–July 31, 2025	December 31, 2014–July 31, 2025	0.062	38,150,000	—	—	—	—	38,150,000
Other employees										
Employees	October 17, 2005–March 30, 2015	October 17, 2008–December 31, 2025	October 17, 2008–December 31, 2025	0.003–0.103	1,395,263	—	—	—	1,176,599	218,664
					41,388,583	—	—	—	1,376,599	40,011,984

Notes:

1. The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$19.86.

2. For further details of the Pre-IPO Share Option Scheme, please refer to Appendix V "Statutory and General Information" of the prospectus of the Company and note 33 to the financial statements in this annual report.

Post-IPO Share Option Scheme

The Company approved and adopted the Post-IPO Share Option Scheme by written resolutions of its then sole shareholder on December 7, 2015. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

No share options were granted under the Post-IPO Share Option Scheme during the Reporting Period.

80,374,200 share options and 82,090,141 share options remained available for grant under the scheme mandate of the Post-IPO Share Option Scheme as at January 1, 2023 and December 31, 2023, respectively.

As at the end of the Reporting Period, the Post-IPO Share Option Scheme has not adopted service provider sublimit under Chapter 17 of the Listing Rules.

Set out below are details of the outstanding share options under the Post-IPO Share Option Scheme:

						Number of share options					
Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share HK$	Closing Price per Share immediately before the date of grant HK$	Outstanding as at January 1, 2023	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period[Note 1]	Outstanding as at December 31, 2023
Directors											
Zhu Li	October 11, 2017	December 31, 2019–October 10, 2027 December 31, 2020–October 10, 2027 December 31, 2021–October 10, 2027 December 31, 2022–October 10, 2027 December 31, 2023–October 10, 2027	December 31, 2019–October 10, 2027	8.33	8.07	634,000	—	—	—	—	634,000
Pan Yuexin	November 29, 2018	November 29, 2018–November 28, 2023 November 29, 2019–November 28, 2023 November 29, 2020–November 28, 2023 November 29, 2021–November 28, 2023 November 29, 2022–November 28, 2023	November 29, 2018–November 28, 2023	14.04	14.32	400,000	—	—	—	400,000	—
	September 1, 2020	September 1, 2020–August 31, 2025 September 1, 2021–August 31, 2025 September 1, 2022–August 31, 2025	September 1, 2020–August 31, 2025	15.00	14.98	60,000	—	—	—	—	60,000

Report of the Directors

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share HK$	Closing Price per Share immediately before the date of grant HK$	Number of share options: Outstanding as at January 1, 2023	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period(Note 1)	Outstanding as at December 31, 2023
Wang Jiafen	September 1, 2020	September 1, 2020–August 31, 2025 November 25, 2020–August 31, 2025 September 1, 2021–August 31, 2025 November 25, 2021–August 31, 2025 September 1, 2022–August 31, 2025	September 1, 2020–August 31, 2025	15.00	14.98	270,000	–	–	–	–	270,000
Guo Hongxin	November 29, 2018	November 29, 2018–November 28, 2023 November 29, 2019–November 28, 2023 November 29, 2020–November 28, 2023 November 29, 2021–November 28, 2023 November 29, 2022–November 28, 2023	November 29, 2018–November 28, 2023	14.04	14.32	400,000	–	–	–	400,000	–
	September 1, 2020	September 1, 2020–August 31, 2025 September 1, 2021–August 31, 2025 September 1, 2022–August 31, 2025	September 1, 2020–August 31, 2025	15.00	14.98	60,000	–	–	–	–	60,000
Dai Zumian	November 29, 2018	November 29, 2018–November 28, 2023 November 29, 2019–November 28, 2023 November 29, 2020–November 28, 2023 November 29, 2021–November 28, 2023 November 29, 2022–November 28, 2023	November 29, 2018–November 28, 2023	14.04	14.32	381,000	–	–	–	381,000	–
	September 1, 2020	September 1, 2020–August 31, 2025 September 1, 2021–August 31, 2025 September 1, 2022–August 31, 2025	September 1, 2020–August 31, 2025	15.00	14.98	58,000	–	–	–	–	58,000

Report of the Directors

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share HK$	Closing Price per Share immediately before the date of grant HK$	Number of share options: Outstanding as at January 1, 2023	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period(Note 1)	Outstanding as at December 31, 2023
Pan Jiuan	September 1, 2020	September 1, 2020–August 31, 2025 November 25, 2020–August 31, 2025 September 1, 2021–August 31, 2025 November 25, 2021–August 31, 2025 September 1, 2022–August 31, 2025	September 1, 2020–August 31, 2025	15.00	14.98	270,000	–	–	–	–	270,000
Wang Xuehai	December 28, 2020	November 21, 2021–December 27, 2025 November 21, 2022–December 27, 2025 November 21, 2023–December 27, 2025	November 21, 2021–December 27, 2025	12.10	11.36	210,000	–	–	–	210,000	–
Chief executives of the Company											
Shao Weihui	April 25, 2017	April 25, 2021–April 24, 2027 April 25, 2024–April 24, 2027	April 25, 2021–April 24, 2027	3.512	3.45	2,000,000	–	–	–	–	2,000,000
Liu Zhenyu	June 22, 2016	June 22, 2019–June 21, 2026 June 22, 2020–June 21, 2026 June 22, 2021–June 21, 2026 June 22, 2022–June 21, 2026 June 22, 2023–June 21, 2026	June 22, 2019–June 21, 2026	1.204	1.21	5,000,000	–	–	–	–	5,000,000

Report of the Directors

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share HK$	Closing Price per Share immediately before the date of grant HK$	Number of share options: Outstanding as at January 1, 2023	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period(Note 1)	Outstanding as at December 31, 2023
Senior management of the Company											
Wei Shiniu	November 29, 2019	November 29, 2020–November 28, 2029 November 29, 2021–November 28, 2029 November 29, 2022–November 28, 2029 November 29, 2023–November 28, 2029 November 29, 2024–November 28, 2029	November 29, 2020–November 28, 2029	19.132	19.54	300,000	–	–	–	–	300,000
	December 28, 2020	December 28, 2021–December 27, 2030 December 28, 2022–December 27, 2030 December 28, 2023–December 27, 2030 December 28, 2024–December 27, 2030 December 28, 2025–December 27, 2030	December 28, 2021–December 27, 2030	12.10	11.36	350,000	–	–	–	–	350,000
Other employees	June 22, 2016	June 22, 2016–June 21, 2026	June 22, 2016–June 21, 2026	1.204	1.21	2,875,466	–	–	–	203,466	2,672,000
	September 23, 2016	September 23, 2017–September 22, 2026	September 23, 2017–September 22, 2026	2.406	2.3	3,531,000	–	–	–	254,000	3,277,000
	April 25, 2017	April 25, 2019–April 24, 2027	April 25, 2019–April 24, 2027	3.512	3.45	10,335,950	–	–	–	1,071,000	9,264,950
	October 11, 2017	July 25, 2018–October 10, 2027	July 25, 2018–October 10, 2027	8.33	8.07	5,828,500	–	–	420,000	218,500	5,190,000
	November 20, 2017	December 31, 2019–November 19, 2027	December 31, 2019–November 19, 2027	9.35	8.91	2,308,500	–	–	80,000	217,500	2,011,000
	May 4, 2018	January 1, 2019–May 3, 2028	January 1, 2019–May 3, 2028	26.46	26.65	7,101,190	–	–	595,714	–	6,505,476
	November 29, 2018	November 29, 2019–November 28, 2028	November 29, 2019–November 28, 2028	14.04	14.32	126,000	–	–	–	–	126,000
	July 19, 2019	July 19, 2020–July 18, 2029	July 19, 2020–July 18, 2029	18.30	17.86	2,511,000	–	–	100,000	440,000	1,971,000
	November 29, 2019	November 29, 2020–November 28, 2029	November 29, 2020–November 28, 2029	19.132	19.54	2,361,000	–	–	180,000	185,000	1,996,000
	April 29, 2020	April 29, 2021–April 28, 2030	April 29, 2021–April 28, 2030	13.84	13.698	2,790,500	–	–	270,000	330,000	2,190,500
	December 28, 2020	December 28, 2021–December 27, 2030	December 28, 2021–December 27, 2030	12.10	11.36	750,000	–	–	60,000	100,000	590,000
	March 31, 2021	March 31, 2022–March 30, 2031	March 31, 2022–March 30, 2031	13.892	14.04	100,000	–	–	–	–	100,000
	May 31, 2021	May 31, 2022–May 30, 2031	May 31, 2022–May 30, 2031	30.45	27.35	245,758	–	–	10,227	–	235,531
Total:						51,257,864	–	–	1,715,941	4,410,466	45,131,457

Notes:

1. The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$22.1.

2. For further details of the Post-IPO Share Option Scheme, please refer to Appendix V "Statutory and General Information" of the Prospectus and note 33 to the financial statements in this annual report.

RESTRICTED SHARE AWARD SCHEMES

2019 RSA Scheme

The Company adopted its 2019 RSA Scheme on March 22, 2019 (the "**2019 RSA Scheme Adoption Date**") to grant restricted shares to any Director or employee of the Company or any of its subsidiaries.

The purposes of the 2019 RSA Scheme is to (i) provide the eligible persons with the opportunity to acquire proprietary interests in the Company, (ii) encourage the eligible persons to work towards enhancing the value of the Company and its Shares or the benefit of the Company and its Shareholders as a whole, and (iii) provide the Company with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to any Director or employee of the Company or any of its subsidiaries.

The total number of the restricted shares underlying all grants made pursuant to the 2019 RSA Scheme and 2021 RSA Scheme shall not exceed ten percent (i.e. 183,721,269 Shares) of the issued share capital of the Company as at the 2019 RSA Scheme Adoption Date. The total number of Shares available for issue under the 2019 RSA Scheme (including the restricted shares granted but unvested and the restricted shares available for future grants) was 152,308,888 Shares, representing 7.17% of the issued Shares of the Company (i.e. 2,124,052,670 Shares) as of the date of this annual report.

The 2019 RSA Scheme will initially be valid and effective for a period of ten years commencing on the 2019 RSA Scheme Adoption Date.

There is no restriction on the maximum entitlement of each participant under the 2019 RSA Scheme.

An award is subject to time-based vesting and/or performance-based vesting or other vesting conditions as set forth in the notice of award to the grantee.

There is no requirement on the purchase price payable in respect of the restricted shares granted under the 2019 RSA Scheme.

The Company and Computershare Hong Kong Trustees Limited as the trustee (the "**Trustee**") entered into the trust deed in respect of the appointment of the Trustee for the administration of the 2019 RSA Scheme (the "**2019 Trust Deed**"). Pursuant to the 2019 RSA Scheme, the Shares that may be offered by the Company to any selected participant will be satisfied by (i) existing shares to be acquired by the Trustee on the market, and/or (ii) new shares to be allotted and issued to the Trustee. The restricted shares should be held by the Trustee in according with the Listing Rules and the 2019 Trust Deed until the end of the relevant vesting date and be transferred to the grantees upon satisfaction of the relevant vesting conditions as may specified by the Board at the time of making the grant of restricted shares.

For more details of the 2019 RSA Scheme, please refer to the Company's announcement dated March 22, 2019.

During the Reporting Period, 74,645 restricted shares, 1,002,343 restricted shares, 6,315,784 restricted shares and 120,184 restricted shares (collectively, the "**2019 RSA Shares**") were granted under the 2019 RSA Scheme on January 18, 2023, April 3, 2023, June 1, 2023, and November 28, 2023, respectively. Please refer to our announcements dated January 18, 2023, April 3, 2023, June 1, 2023, June 15, 2023 and November 28, 2023 for details. Save as disclosed, no other restricted shares have been granted under the 2019 RSA Scheme during the Reporting Period.

For the fair value of the restricted shares granted during the Reporting Period at the grant date and the accounting standard and policy adopted, please refer to notes 2.4 and 34 to the financial statements.

The 2019 RSA Shares shall be satisfied by the existing Shares that have been or will be required by the Trustee through on-market transactions.

Set out below are details of the outstanding shares under the 2019 RSA Scheme:

				Number of shares				
Category/ Name of Grantee	Date of Grant	Vesting Period	Closing Price per Share Immediately Before the Date of Grant (HK$)	Outstanding as at January 1, 2023	Granted during the Reporting Period(Note 1)	Vesting During the Reporting Period(Note 2)	Lapsed during the Reporting Period	Outstanding as at December 31, 2023
Directors								
Meng Jiange	December 28, 2020	In five equal installments annually between December 28, 2021 and December 28, 2025	11.36	240,000	—	80,000(Note 3)	—	160,000
Wang Ye	May 31, 2021	In five equal installments annually between May 31, 2022 and May 31, 2026	27.35	240,000	—	52,500	7,500	180,000
Zhu Li	December 28, 2020	In five equal installments annually between December 28, 2021 and December 28, 2025	11.36	120,000	—	40,000(Note 4)	—	80,000
	May 31, 2021	In five equal installments annually between May 31, 2022 and May 31, 2026	27.35	80,000	—	17,500	2,500	60,000
Pan Yuexin	January 18, 2023(Note 6)	In three batches with the last batch vested on 17 December 2025	27.00	—	14,929	4,478(Note 5)	—	10,451
	November 28, 2023(Note 6)	In one batch on November 30, 2024	22.75	—	34,409	—	—	34,409
Wang Jiafen	January 18, 2023(Note 6)	In three batches with the last batch vested on 17 December 2025	27.00	—	14,929	4,478(Note 5)	—	10,451
Guo Hongxin	January 18, 2023(Note 6)	In three batches with the last batch vested on 17 December 2025	27.00	—	14,929	4,478(Note 5)	—	10,451
	November 28, 2023(Note 6)	In one batch on November 30, 2024	22.75	—	34,409	—	—	34,409

Report of the Directors

Category/ Name of Grantee	Date of Grant	Vesting Period	Closing Price per Share Immediately Before the Date of Grant (HK$)	Number of shares: Outstanding as at January 1, 2023	Granted during the Reporting Period(Note 1)	Vesting During the Reporting Period(Note 2)	Lapsed during the Reporting Period	Outstanding as at December 31, 2023
Dai Zumian	January 18, 2023(Note 6)	In three batches with the last batch vested on 17 December 2025	27.00	—	14,929	4,478(Note 5)	—	10,451
	November 28, 2023(Note 6)	In one batch on November 30, 2024	22.75	—	34,409	–	—	34,409
Pan Jiuan	January 18, 2023(Note 6)	In three batches with the last batch vested on 17 December 2025	27.00	—	14,929	4,478(Note 5)	—	10,451
Wang Xuehai	November 28, 2023(Note 6)	In three batches annually between November 30, 2024 and November 30, 2026	22.75	—	16,957	—	—	16,957
Chief Executives of the Company								
Shao Weihui	May 31, 2021	In three equal installments annually between May 31, 2022 and May 31, 2024	27.35	55,350	—	24,216	3,459	27,675
	April 3, 2023(Notes 7 and 8)	20% of the restricted shares will be vested on April 3, 2024 and the remaining restricted shares will be vested on an annual basis equally between March 31, 2025 and March 31, 2028	16.80	—	269,398	—	—	269,398
	June 1, 2023(Notes 7 and 9)	In five batches annually between June 1, 2024 and May 31, 2028	17.32	—	3,145,693	—	—	3,145,693

Category/ Name of Grantee	Date of Grant	Vesting Period	Closing Price per Share Immediately Before the Date of Grant (HK$)	Number of shares: Outstanding as at January 1, 2023	Granted during the Reporting Period(Note 1)	Vesting During the Reporting Period(Note 2)	Lapsed during the Reporting Period	Outstanding as at December 31, 2023
Liu Zhenyu	May 31, 2021	In two equal installments annually between May 31, 2022 and May 31, 2023	27.35	7,762	—	7,762	—	—
	January 10, 2022	In five installments annually between January 10, 2023 and January 10, 2027	31.15	164,361	—	28,763	4,109	131,489
	March 22, 2022	In five installments annually between March 22, 2023 and March 22, 2027	25.10	588,016	—	118,912	12,167	456,937
	May 26, 2022	In two equal installments annually between May 26, 2023 and May 26, 2024	20.65	22,626	—	11,313	—	11,313
	April 3, 2023(Notes 7 and 10)	20% of the restricted shares will be vested on April 3, 2024 and that the remaining shares will be vested on an annual basis equally between March 31, 2025 and March 31, 2028	16.80	—	732,945	—	—	732,945
	June 1, 2023(Notes 7 and 11)	In two to five batches on an annual basis between June 1, 2024 and May 31, 2028	17.32	—	3,170,091	—	—	3,170,091
Senior Management of the Company								
Wei Shiniu	December 28, 2020	In five annual installments with the last batch on December 28, 2025	11.36	240,000	—	80,000	—	160,000
	March 31, 2021	In two annual installments with the last batch on March 31, 2023	14.04	12,739	—	12,739	—	—
	May 31, 2021	In three annual installments with the last batch on May 31, 2024	27.35	34,939	—	17,302	1,796	15,841

Category/ Name of Grantee	Date of Grant	Vesting Period	Closing Price per Share Immediately Before the Date of Grant (HK$)	Number of shares				
				Outstanding as at January 1, 2023	Granted during the Reporting Period(Note 1)	Vesting During the Reporting Period(Note 2)	Lapsed during the Reporting Period	Outstanding as at December 31, 2023
Other Employees	April 29, 2020	In two to five annual installments with the last batch on April 29, 2025	13.698	305,028	—	101,676	—	203,352
	December 28, 2020	In one to five annual installments with the last batch on December 28, 2025	11.36	284,935	—	169,645	8,000	107,290
	March 31, 2021	In two or three annual installments with the last batch on March 31, 2024	14.04	94,012	—	84,012	—	10,000
	May 31, 2021	In one to three annual installments with the last batch on May 31, 2024	27.35	3,040,845	—	1,218,622	347,125	1,475,098
	August 27, 2021	In two to three annual installments with the last batch on August 27, 2024	37.15	62,401	—	37,005	3,438	21,958
	December 10, 2021	In one to three annual installments with the last batch on December 10, 2024	41.80	144,824	—	63,870	10,347	70,607
	March 22, 2022	In two annual installments with the last batch on March 22, 2024	25.10	81,513	—	40,604	413	40,496
Total				5,819,351	7,512,956	2,228,831	400,854	10,702,622

Notes:

(1) The consideration of the restricted shares granted by the Company to the grantees during the Reporting Period is nil.

(2) The weighted average closing price of the Shares immediately before the dates on which the restricted shares were vested was HK$18.32.

(3) 80,000 restricted shares were scheduled to vest on December 28, 2023 and such shares were transferred to Mr. Meng Jiange on January 4, 2024.

(4) 40,000 restricted shares were scheduled to vest on December 28, 2023 and such shares were transferred to Dr. Zhu Li on January 4, 2024.

(5) During the Reporting Period, a total of 74,645 restricted shares granted to five Directors vested on December 17, 2023. Having considered that (i) the total vesting and holding period of the restricted shares is more than 12 months, (ii) the period commencing from the grant date of such restricted shares, which was January 18, 2023, to the first vesting date, which was December 17, 2023, was nearly 12 month, and (iii) such restricted shares vested where the vesting conditions are satisfied pursuant to the terms of the 2019 RSA Scheme, the remuneration committee of the Company and the Board consider that the grant of such restricted shares with a shorter vesting period could align the interests of those grantees with that of the Company and the Shareholders, provide incentive to the grantees to devote to the future continuous competitiveness, results of operation and growth of the Company, and reinforce their commitment to long term services of the Company, which is in line with the purpose of the RSA Scheme 2019.

(6) There is no performance target nor clawback mechanism attached to the restricted shares. Having considered that (i) the grantees are Directors who will contribute directly to the overall business performance, sustainable development and/or good corporate governance of the Group, and (ii) the restricted shares are subject to certain vesting conditions and terms of the 2019 RSA Scheme, the Remuneration Committee and the Board believe that without additional performance target and clawback mechanism, the grant of the restricted Shares could align the interests of the grantees with that of the Company and the Shareholders, provide incentive to the grantees to devote to the future continuous competitiveness, results of operation and growth of the Company, and reinforce their commitment to long term services of the Company, which is in line with the purpose of the 2019 RSA Scheme.

(7) No clawback mechanism is attached to the restricted shares. Having considered that (i) the grantees are chief executives of the Company who will contribute directly to the overall business performance and sustainable development of the Group, and (ii) the restricted shares are subject to certain vesting conditions and terms of the 2019 RSA Scheme, which already covers situations where the restricted shares will lapse in the event that a grantee cease to be an employee of the Group, the Remuneration Committee and the Board believe that without additional clawback mechanism, the grant of the Restricted Shares could align the interests of the grantees with that of the Company and the Shareholders, provide incentive to the grantees to devote to the future continuous competitiveness, results of operation and growth of the Company, and reinforce their commitment to long term services of the Company, which is in line with the purpose of the 2019 RSA Scheme.

(8) The vesting conditions of the restricted shares granted to Ms. Shao Weihui on April 3, 2023 include without limitation, (i) Ms. Shao Weihui having met her own key performance criteria, and/or (ii) the Company's annual revenue growth rate having been achieved.

(9) The vesting conditions of the restricted shares granted to Ms. Shao Weihui on June 1, 2023 include without limitation, (i) the goal of enhancing the core competitiveness of the Group having been achieved, and/or (ii) Ms. Shao Weihui having met her own key performance criteria.

(10) The vesting conditions of the restricted shares granted to Dr. Liu Zhenyu on April 3, 2023 include without limitation, (i) Dr. Liu Zhenyu having met his own key performance criteria, and/or (ii) the Company's annual revenue growth rate having been achieved.

(11) The vesting conditions of certain restricted shares granted to Dr. Liu Zhenyu on June 1, 2023 include without limitation, (i) the goal of enhancing the core competitiveness of the Group having been achieved, and/or (ii) Dr. Liu Zhenyu having met his own key performance criteria.

(12) No restricted shares were cancelled during the Reporting Period.

2021 RSA Scheme

The Company approved and adopted the 2021 RSA Scheme on August 23, 2021 (the "**2021 RSA Scheme Adoption Date**") to grant restricted shares to (i) Director or employee of the Company or any of its subsidiaries, and (ii) any person or entity who has made significant contribution, or will potentially make significant contribution to the development of the Group.

The purpose of the 2021 RSA Scheme is to (i) provide the selected participants with the opportunity to acquire proprietary interests in the Company, (ii) encourage the selected participants to work towards enhancing the value of the Company and its Shares or the benefit of the Company and its Shareholders as a whole, and (iii) provide the Company with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to the selected participants.

The total number of the restricted shares underlying all grants made pursuant to the 2021 RSA Scheme and the 2019 RSA Scheme shall not exceed in total ten percent (i.e. 183,721,269 Shares) of the Company's issued share capital as at the adoption date of the 2019 RSA Scheme. The total number of Shares available for issue under the 2021 RSA Scheme (including the restricted shares granted but unvested and the restricted shares available for future grants) was 163,266,923 Shares, representing 7.69% of the issued Shares of the Company (i.e. 2,124,052,670 Shares) as of the date of this annual report.

The 2021 RSA Scheme will initially be valid and effective for a period of ten years commencing on the 2021 RSA Scheme Adoption Date.

There is no restriction on the maximum entitlement of each participant under the 2021 RSA Scheme.

An award is subject to time-based vesting and/or performance-based vesting or other vesting conditions as set forth in the notice of award to the grantee.

There is no requirement on the purchase price payable in respect of the restricted shares granted under the 2021 RSA Scheme.

The Company and the Trustee entered into the trust deed in respect of the appointment of the Trustee for the administration of the 2021 RSA Scheme (the "**2021 Trust Deed**"). Pursuant to the 2021 RSA Scheme, the Shares that may be offered by the Company to any selected participant will be satisfied by (i) existing shares to be acquired by the Trustee on the market, and/or (ii) new shares to be allotted and issued to the Trustee or the grantees. Certain restricted shares should be held by the Trustee in according with the Listing Rules and the 2021 Trust Deed until the end of the relevant vesting date and be transferred to the grantees upon satisfaction of the relevant vesting conditions as may specified by the Board at the time of making the grant of restricted shares.

For more details of the 2021 RSA Scheme, please refer to the Company's announcements dated August 24, 2021 and May 26, 2022.

During the Reporting Period, 2,619,525 restricted shares, 965,155 restricted shares, 5,072,636 restricted shares, 53,881 restricted shares and 129,926 restricted shares (collectively, the "**2021 RSA Shares**") were granted and accepted under the 2021 RSA Scheme on January 18, 2023, April 3, 2023, June 1, 2023, August 24, 2023 and November 28, 2023, respectively. Please refer to our announcements dated January 18, 2023, April 3, 2023, June 1, 2023, June 15, 2023, August 20, 2023, August 24, 2023 and November 28, 2023 for details. Save as disclosed, no other restricted shares have been granted under the 2021 RSA Scheme during the Reporting Period.

For the fair value of the restricted shares granted during the Reporting Period at the grant date and the accounting standard and policy adopted, please refer to notes 2.4 and 34 to the financial statements.

Certain 2021 RSA Shares granted during the Reporting Period has been issued or will be issued by the Company and allotted to the Trustee under the 2022 General Mandate and the 2023 General Mandate in accordance with the terms of the 2021 RSA Scheme.

Set out below are details of the outstanding shares under the 2021 RSA Scheme:

Category/ Name of Grantee	Date of Grant	Vesting Period	Closing Price per Share Immediately Before the Date of Grant (HK$)	Number of shares: Outstanding as at January 1, 2023	Granted during the Reporting Period(Note 1)	Vesting During the Reporting Period(Note 2)	Lapsed during the Reporting Period	Outstanding as at December 31, 2023
Chief Executive of the Company								
Shao Weihui	March 22, 2022	In five installments annually between March 22, 2023 and March 22, 2027	25.10	137,007	—	33,464	2,198	101,345
Senior Management of the Company								
Wei Shiniu	March 22, 2022	In five annual installments with the last batch on March 22, 2027	25.10	224,611	—	48,330	4,187	172,094
	May 26, 2022	In two annual installments with the last batch on May 26, 2024	20.65	13,776	—	6,888	—	6,888
	April 3, 2023(Notes 3 and 5)	In two to five batches with the first batch on April 3, 2024 and the remaining restricted shares on an annual basis between March 31, 2025 and March 31, 2028	16.80	—	439,071	—	—	439,071
	June 1, 2023(Notes 4 and 5)	In two to five batches on an annual basis between June 1, 2024 and May 31, 2028	17.32	—	1,273,132	—	—	1,273,132

Category/ Name of Grantee	Date of Grant	Vesting Period	Closing Price per Share Immediately Before the Date of Grant (HK$)	Number of shares: Outstanding as at January 1, 2023	Granted during the Reporting Period(Note 1)	Vesting During the Reporting Period(Note 2)	Lapsed during the Reporting Period	Outstanding as at December 31, 2023
Other Employees	December 10, 2021	In three annual installments with the last batch on December 10, 2024	41.80	896,931	—	365,860	78,584	452,487
	March 22, 2022	In two or three annual installments with the last batch on March 22, 2025	25.10	1,250,446	—	397,251	43,846	809,349
	May 26, 2022	In one or three annual installments with the last batch on May 26, 2025	20.65	2,101,846	—	569,444	178,881	1,353,521
	September 2, 2022	In two or three annual instalments with the last batch on September 2, 2025	24.80	255,390	—	72,084	16,902	166,404
	January 18, 2023(Note 3)	In one to three batches with the last batch on December 17, 2025	27.00	—	2,619,525	674,948	202,406	1,742,171
	April 3, 2023(Note 3)	In two to five batches with the first batch on April 3, 2024 and the remaining restricted shares on an annual basis between March 31, 2025 and March 31, 2028	16.80	—	526,084	—	—	526,084
	June 1, 2023(Note 4)	In two to three batches on an annual basis between June 1, 2024 and May 31, 2026	17.32	—	3,576,270	—	67,822	3,508,448
	August 24, 2023(Note 4)	In two to three batches on an annual basis between August 31, 2024 and August 31, 2026	17.98	—	53,881	—	—	53,881
	November 28, 2023(Note 4)	In three batches on an annual basis on November 30, 2024, November 30, 2025 and November 30, 2026	22.75	—	129,926	—	—	129,926
Consultant(Note 6)	June 1, 2023	In three batches on an annual basis between June 1, 2024 and May 31, 2026	17.32	—	223,234	—	—	223,234
Total				4,880,007	8,841,123	2,168,269	594,826	10,958,035

Notes:

(1) The consideration of the restricted shares granted during the Reporting Period is nil.

(2) The weighted average closing price of the Shares immediately before the dates on which the restricted shares were vested was HK$19.77.

(3) The vesting conditions of certain restricted shares granted to Mr. Wei Shiniu and other employees on January 18, 2023 and April 3, 2023 include without limitation, (i) the grantees having met their respective key performance criteria, and/or (ii) the Company's annual revenue growth rate having been achieved.

(4) The vesting conditions of certain restricted shares granted to Mr. Wei Shiniu and other employees on June 1, 2023, August 24, 2023 and November 28, 2023 include without limitation, (i) the grantees having met their respective key performance criteria, and/or (ii) the Company's overall business goals having been achieved.

(5) No clawback mechanism is attached to the restricted shares. Having considered that (i) the grantee is a senior manager of the Group who will contribute directly to the overall business performance and sustainable development of the Group, and (ii) the restricted shares are subject to certain vesting conditions and terms of the 2021 RSA Scheme, which already covers situations where the restricted shares will lapse in the event that a grantee cease to be an employee of the Group, the Remuneration Committee and the Board believe that without additional clawback mechanism, the grant of the restricted shares could align the interests of the grantee with that of the Company and the Shareholders, provide incentive to the grantee to devote to the future continuous competitiveness, results of operation and growth of the Company, and reinforce their commitment to long term services of the Company, which is in line with the purpose of the 2021 RSA Scheme.

(6) The consultant is a service provider who provides strategic business consultancy services to the Group. Please refer to the announcements of the Company dated June 1, 2023 and June 15, 2023 for details.

(7) No restricted shares were cancelled during the Reporting Period.

167,667,287 restricted shares and 152,308,888 restricted shares remained available for grant under the scheme mandate of the 2019 RSA Scheme and 2021 RSA Scheme as at January 1, 2023 and December 31, 2023, respectively.

As at the end of the Reporting Period, each of the 2019 RSA Scheme and the 2021 RSA Scheme has not adopted service provider sublimit under Chapter 17 of the Listing Rules.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of Directors and the five highest paid individuals are set out in notes 8 and note 9 to the financial statements in this annual report.

CHANGES TO INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Saved as disclosed in this annual report, there had been no change to any of the information required to be disclosed in relation to any Director or chief executive after the date of the Interim Report 2023 that are required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules have to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Dr. Zhang Fangliang ceased to be a director of Novagene Biotech (Cayman) Corporation in April 2024.

Ms. Wang Jiafen was re-designated as a non-independent director of BESTORE Co., Ltd. (良品鋪子股份有限公司) (SHA: 603719) in July 2023 and she resigned from an independent director of UE Furniture Co., Ltd.* (浙江永藝家俱股份公司) (SHA: 603600) in March 2024.

Mr. Cheung Yiu Leung Andy and Dr. Shi Chenyang were appointed as independent non-executive Directors and members of the Nomination Committee of the Company on April 12, 2024.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES, AND DEBENTURES

As of December 31, 2023, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares, and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix C3 to the Listing Rules, are set out as follows:

Long Positions in the Ordinary Shares and Underlying Shares of the Company as of December 31, 2023

Name of Director and Chief Executive	Capacity/Nature of interest	Number of Shares/underlying Shares held/ interested	Approximate Percentage of Shareholding (%)
Directors			
Zhang Fangliang	Interest in controlled corporation(Note 1), parties acting in concert(Note 5), founder of a discretionary trust, trustee(Note 2), and interest of spouse(Note 1)	839,743,753	39.55
Meng Jiange	Beneficial owner(Note 3)	2,115,893	0.10
Wang Ye	Interest in controlled corporation(Note 4), parties acting in concert(Note 5), beneficial owner(Note 6), founder of a discretionary trust and trustee(Note 7)	839,743,753	39.55
Zhu Li	Beneficial owner(Note 8)	2,063,674	0.10
Wang Luquan	Interest in controlled corporation(Note 9), parties acting in concert(Note 5) and interests in spouse(Note 10)	839,743,753	39.55
Pan Yuexin	Beneficial owner(Note 11)	161,231	0.01
Wang Jiafen	Beneficial owner(Note 12)	284,459	0.01
Guo Hongxin	Beneficial owner(Note 13)	171,022	0.01
Dai Zumian	Beneficial owner(Note 14)	107,338	0.01
Pan Jiuan	Beneficial owner(Note 15)	284,929	0.01
Wang Xuehai	Beneficial owner(Note 16)	16,957	0.00
Chief Executives			
Shao Weihui	Beneficial owner(Note 17)	5,953,965	0.28
Liu Zhenyu	Beneficial owner(Note 18)	9,638,672	0.45

* The percentage has been calculated based on 2,123,162,624 Shares in issue as at December 31, 2023.

Notes:

(1) As at December 31, 2023, Zhang Fangliang held approximately 5.11% in the issued share capital of Genscript Corporation ("**GS Corp**"). Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Zhang Fangliang was deemed, or taken to be interested in, all the Shares held by GS Corp. On January 19, 2023, Zhang Fangliang transferred 41,401,870 shares of GS Corp to his spouse, Jin Weihong. On May 31, 2023, Jin Weihong transferred 20,700,935 shares of GS Corp to Weihong Jin 2023 Grantor Retained Annuity Trust (the "**Jin Trust 2023**") of which Jin Weihong is the initial trustee.

(2) On October 12, 2017, Zhang Fangliang set up 2017 Fang Liang Zhang Trust (the "**Zhang Trust**"), an irrevocable discretionary family trust, with his three children and their respective living issue as beneficiaries. Jin Weihong, the spouse of Zhang Fangliang, is the trustee of the Zhang Trust. On May 31, 2023, Zhang Fangliang transferred 20,700,935 shares of GS Corp to Fang Liang Zhang 2023 Grantor Retained Annuity Trust (the "**Zhang 2023 Trust**"), of which Zhang Fangliang is the initial trustee. On the same day, the Zhang Trust transferred 2,361,100 shares of GS Corp to Zhang Fangliang. The Zhang Trust (through its trustee), held approximately 21.34% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO. The Zhang 2023 Trust (through its trustee), held approximately 4.60% of the entire issued share capital of GS Corp.

(3) As at December 31, 2023, Meng Jiange held 160,000 underlying Shares under the 2019 RSA Scheme, 1,643,320 underlying Shares under the options conditionally granted to him under the Pre-IPO Share Option Scheme and 312,573 Shares.

(4) As at December 31, 2023, Wang Ye held approximately 3.79% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Wang Ye was deemed, or taken to be interested in, all the Shares held by GS Corp.

(5) On August 14, 2008, Zhang Fangliang, Wang Ye and Wang Luquan entered into the GS Corp Shareholder Voting Agreement, whereby Zhang Fangliang, Wang Ye and Wang Luquan agreed to vote unanimously in the shareholder meetings of GS Corp and, contemporaneously, proxies were conferred by Wang Luquan and Wang Ye to Zhang Fangliang authorising Zhang Fangliang to vote and exercise all voting and related rights with respect to the shares that each of Wang Luquan and Wang Ye beneficially owned in GS Corp, which held 799,999,123 Shares as of December 31, 2023. On May 29, 2015, Wu Yongmei signed a proxy agreement whereby she conferred all her voting and related rights in relation to all the shares that she owned in GS Corp, i.e. 108,625,000 shares of GS Corp to Zhang Fangliang.

(6) As at December 31, 2023, Wang Ye held 180,000 underlying Shares under the 2019 RSA Scheme, and 38,150,000 underlying Shares under the options conditionally granted to her under the Pre-IPO Share Option Scheme and 138,630 Shares.

(7) On October 5, 2017, Wang Ye set up 2017 Wang Ye Family Trust (the "**Wang Trust**"), an irrevocable discretionary family trust, with her spouse, her son and his living issue as beneficiaries. Hu Zhiyong, the spouse of Wang Ye, is the trustee of the Wang Trust. On May 31, 2023, the Wang Trust transferred 863,830 shares of GS Corp to Wang Ye. As at December 31, 2023, the Wang Trust (through its trustee) held approximately 8.42% of the entire issued share capital of GS Corp. On December 21, 2021, Wang Ye transferred 638,000 Shares to Ren-Shiu Foundation Inc., of which Wang Ye is the trustee.

(8) As at December 31, 2023, Zhu Li held 140,000 underlying Shares under the 2019 RSA Scheme, and 634,000 underlying Shares under the options conditionally granted to him under the Post-IPO Share Option Scheme and 1,289,674 Shares.

(9) As at December 31, 2023, Wang Luquan held approximately 22.76% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Wang Luquan was deemed, or taken to be interested in, all the Shares held by GS Corp.

(10) Wang Luquan is the spouse of Huang Lili. For the purpose of the SFO, Wang Luquan was deemed, or taken to be interested in all the Shares in which Huang Lili was interested, i.e. 638,000 Shares.

(11) As at December 31, 2023, Pan Yuexin held 44,860 underlying Shares under the 2019 RSA Scheme, 60,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme, and 56,371 Shares.

(12) As at December 31, 2023, Wang Jiafen held 10,451 underlying Shares under the 2019 RSA Scheme, 270,000 underlying Shares under the options granted to her under the Post-IPO Share Option Scheme, and 4,008 Shares.

(13) As at December 31, 2023, Guo Hongxin held 44,860 underlying Shares under the 2019 RSA Scheme, and 60,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme, and 66,162 Shares.

(14) As at December 31, 2023, Dai Zumian held 44,860 underlying Shares under the 2019 RSA Scheme, and 58,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme, and 4,478 Shares.

(15) As at December 31, 2023, Pan Jiuan held 10,451 underlying Shares under the 2019 RSA Scheme, and 270,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme and 4,478 Shares.

(16) As at December 31, 2023, Wang Xuehai held 16,957 underlying Shares under the 2019 RSA Scheme.

(17) As at December 31, 2023, Shao Weihui held 3,442,766 underlying Shares under the 2019 RSA Scheme, 101,345 underlying Shares under the 2021 RSA Scheme, 2,000,000 underlying Shares under the options granted to her under the Post-IPO Share Option Scheme and 409,854 Shares.

(18) As at December 31, 2023, Liu Zhenyu held 4,502,775 underlying Shares under the 2019 RSA Scheme, 5,000,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme and 135,897 Shares.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Schemes" and "Restricted Share Award Schemes", no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouses or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouses or children under 18 years of age, to acquire such rights in any other body corporate at any time during the Year.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As of December 31, 2023, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares that would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Long Position in the Ordinary Shares of the Company as of December 31, 2023

Name	Capacity/Nature of Interest	Number of Shares/underlying Shares held/ interested	Approximate Percentage of Shareholding* (%)
GS Corp(Note 1)	Beneficial owner	799,999,123	37.68
Jin Weihong(Note 2)	Interest in controlled corporation, parties acting in concert and trustee	839,743,753	39.55
Hu Zhiyong(Note 3)	Interest in controlled corporation, parties acting in concert and trustee	839,743,753	39.55
Huang Lili(Note 5)	Beneficial owner and interest in controlled corporation	839,743,753	39.55
GNS Holdings Limited(Note 6)	Beneficial owner	164,770,965	7.76
Hillhouse Investment Management V, Ltd.(Note 6)	Interest in controlled corporation	173,348,965	8.16
Hillhouse Investment Management, Ltd.(Note 6)	Investment manager	173,348,965	8.16
Hillhouse Fund V, L.P.(Note 6)	Interest in controlled corporation	173,348,965	8.16

* The percentage has been calculated based on 2,123,162,624 Shares in issue as at December 31, 2023.

Notes:

(1) As at December 31, 2023, GS Corp is a company incorporated in the State of Delaware in the U.S. and owned as to approximately 5.11%, approximately 21.34%, approximately 4.60%, approximately 4.60%, approximately 4.60%, approximately 22.76%, approximately 0.25%, approximately 3.99%, approximately 3.72%, approximately 3.72%, approximately 2.45%, approximately 4.76%, approximately 3.77%, approximately 3.79%, approximately 8.42%, approximately 1.05% and approximately 1.07% by Zhang Fangliang, the Zhang Trust(Note 2), the Zhang 2023 Trust(Note 2), Jin Weihong, the Jin 2023 Trust, Wang Luquan, Wu Yongmei, the Wu 2017 Trust(Note 4), the Wu 2020 Separate Trust A(Note 4), the Wu 2020 Separate Trust L(Note 4), the Wu 2021 Trust(Note 4), the Wu 2022 Trust(Note 4), the Wu 2023 Trust(Note 4), Wang Ye, the Wang Trust(Note 3), Mu Yingjun and Charity B, respectively.

(2) On October 12, 2017, Zhang Fangliang set up the Zhang Trust, an irrevocable discretionary family trust, with his three children and their respective living issue as beneficiaries. Jin Weihong, the spouse of Zhang Fangliang, is the trustee of the Zhang Trust. As at December 31, 2023, the Zhang Trust (through its trustee), held approximately 21.34% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO. As at December 31, 2023, Jin Weihong and Jin 2023 Trust, held approximately 4.60% and 4.60% of the entire issued share capital of GS Corp, respectively.

(3) On October 5, 2017, Wang Ye set up the Wang Trust, an irrevocable discretionary family trust, with her spouse, her son and his living issue as beneficiaries. Hu Zhiyong, the spouse of Wang Ye, is the trustee of the Wang Trust. As at December 31, 2023, Hu Zhiyong, as the trustee of the Wang Trust, held approximately 8.42% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.

(4) On December 17, 2017, Wu Yongmei set up 2017 Wu Yongmei Trust (the "**Wu 2017 Trust**"). On October 28, 2020, Wu Yongmei set up Descendants' Separate Trust FBO A (the "**Wu 2020 Separate Trust A**") and Descendants' Separate Trust FBO L (the "**Wu 2020 Separate Trust L**"). On October 29, 2021, Wu Yongmei set up Yongmei Wu 2021 Trust (the "**Wu 2021 Trust**") and serves as the initial trustee. On October 31, 2022, Wu Yongmei set up the Yongmei Wu 2022 Trust (the "**Wu 2022 Trust**") and serves as the initial trustee. On October 31, 2023, Wu Yongmei transferred 17,000,000 shares of GS Corp to the Yongmei Wu 2023 Trust (the "**Wu 2023 Trust**").

(5) As at June 30, 2023, Huang Lili held 638,000 Shares. In addition, since Huang Lili is the spouse of Wang Luquan, who is a non-executive Director. For the purpose of the SFO, Huang Lili was deemed, or taken to be interested in all the Shares in which Wang Luquan was interested.

(6) On December 12, 2023, GNS II Holdings Limited purchased 8,578,000 Shares from GS Corp. The entire issued share capital of both GNS Holdings Limited and GNS II Holdings Limited is wholly owned by Hillhouse Investment Management V, Ltd., which is wholly owned by Hillhouse Fund V, L.P. Hillhouse Investment Management, Ltd. is the sole investment manager of both GNS Holdings Limited and GNS II Holdings Limited.

Save as disclosed above, as at December 31, 2023, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares, which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept pursuant to Section 336 of the SFO.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares.

PURCHASE, REDEMPTION, OR SALE OF THE LISTED SECURITIES

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

USE OF PROCEEDS

Use of Proceeds from the Subscription Under General Mandate

On May 14, 2021, the Company and GNS Holdings Limited entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which GNS subscribed for an aggregate 102,981,853 new Shares issued by the Company of HK$18.658 per Share under the Company's general mandate (the "**Subscription**"). The conditions of the Subscription Agreement have been fulfilled and the completion of the Subscription took place on June 10, 2021. The total amount of net proceeds received by the Company was approximately HK$1.9 billion (equivalent to approximately US$247.9 million). Please refer to the announcements dated May 14, 2021, June 7, 2021 and June 10, 2021.

A detailed breakdown and description of the use of the net proceeds from the Subscription is set forth as follows:

Item	**Unutilised amount as at January 1, 2023** US$ million	**Utilised amount during the Reporting Period** US$ million	**Unutilised amount as at December 31, 2023** US$ million	**Intended year of application**
Expansion of manufacturing facilities	8.1	8.1	–	Not applicable

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

NON-COMPETING UNDERTAKINGS

The controlling shareholders of the Company, namely Zhang Fangliang, Wang Luquan, Wang Ye and GS Corp, or any of them (the "**Controlling Shareholders**"), have signed the deed of non-competition (the "**Deed of Non-competition**") dated December 7, 2015, pursuant to which, each of our Controlling Shareholders shall, and shall procure that their respective close associates and/or companies controlled by them (other than the Group) (i) not, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm, or company, among other things, carry on, participate, or be interested or engage in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward, or otherwise) any activity or business that competes or is likely to compete, directly or indirectly, with the business of the Group referred to in the Prospectus and any other business from time to time conducted, carried on, or contemplated to be carried on by any member of the Group or in which any member of the Group is engaged or has invested, or which any member of the Group has otherwise publicly announced its intention to enter into, engage in, or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) (the "**Restricted Activity**"), (ii) provide all information requested by the Company that is necessary for an annual review by our independent non-executive Directors of its compliance with the Deed of Non-competition and the enforcement of the Deed of Non-competition, (iii) procure the Company to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through the annual report or by way of announcement(s) to the public, and (iv) make an annual declaration on compliance with its undertaking under the Deed of Non-competition in the annual reports of the Company as our independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules. Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The Company has received the annual confirmation of controlling shareholders in respect of their compliance with the non-competition undertakings under the Deed of Non-competition during the year ended December 31, 2023.

The independent non-executive Directors also reviewed the Controlling Shareholders' compliance with the non-competition undertakings. The independent non-executive Directors confirmed that the Controlling Shareholders were not in breach of the non-competition undertakings during the year ended December 31, 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, as at December 31, 2023, no executive Director, non-executive Director or any of their close associates had any interests in any business that competed or was likely to compete, either directly or indirectly, with the business of the Group under Rule 8.10(2) of the Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2023, the Company had no connected transactions or continuing connected transactions that were required to be disclosed pursuant to the provisions under Chapter 14A of the Listing Rules.

CHARITABLE DONATIONS

During the year ended December 31, 2023, the Group donated US$735,000 to non-profit organisations for charitable and community purposes.

MATERIAL LEGAL PROCEEDINGS

As of December 31, 2023, the Group was not involved in any material litigation or arbitration, and no material litigation or claim was pending or threatened against the Group as far as the Directors were aware of.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the annual results announcement for 2023 and the financial statements for the year ended December 31, 2023 prepared in accordance with the HKFRS and was of the opinion that such annual results had been prepared in accordance with the relevant accounting standards, laws and regulations, and that adequate disclosures have been made in accordance with the requirements of the Listing Rules.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining the highest standards of corporate governance practices. The Company has applied the principles set out in the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix C1 to the Listing Rules. During the Reporting Period, save as disclosed in the Corporate Governance Report, the Company has complied with the mandatory code provisions of the CG Code. For details, please refer to the Corporate Governance Report on pages 80 to 99 in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules as of the date of this annual report.

CONSULTING PROFESSIONAL TAX ADVISERS

The Company's shareholders are recommended to consult professional advisers if they are in any doubt as to the tax implications of the purchasing, holding, disposal of, buying, and selling of the Company's Shares or exercising any rights concerned.

AUDITORS

Ernst & Young, Certified Public Accountants ("**Ernst & Young**") was appointed as the auditors to audit the financial statements prepared in accordance with the HKFRS for the year ended December 31, 2023. Ernst & Young shall retire at the forthcoming AGM and is eligible and has offered itself for re-election. The resolution regarding the re-appointment of Ernst & Young as the auditors of the Company will be proposed at the forthcoming AGM. The Company did not change its auditors in the last three years.

BUSINESS REVIEW PURSUANT TO SCHEDULE 5 OF THE COMPANIES ORDINANCE (CHAPTER 622 OF THE LAWS OF HONG KONG)

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its results and financial position are provided in the section headed "Management Discussion and Analysis" on pages 12 to 35 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group include commercial, operational and financial risks.

Commercial Risks

The Group is facing keen competition with other life-science research and application services and products providers. To maintain the Group's competitiveness, the management uses cost leadership strategy as well as diversifies its business strategies to outperform other competitors.

Operational Risks

The Group is exposed to operational risks associated with each business segment of the Group. To manage the operational risks, the senior management regularly reviews the Group's operations to ensure that the Group's risks of losses, whether financial or otherwise, resulting from fraud, errors, omissions and other operational and compliance matters, are adequately managed. The senior management is also responsible for overseeing the implementation of the Group's risk management policies and procedures and shall report any irregularities to the Directors and seek directions. The Group emphasises ethical values and prevention of fraud and bribery. In this regard, the Directors consider that the Group's operational risks are effectively mitigated.

Financial Risks

The principle financial risks are set out in the note 46 to the financial statements in this report headed "Financial Risk Management Objectives and Policies".

SUBSEQUENT EVENTS

As at December 31, 2023 and up to the date of this report, the Group had no significant subsequent events which needs to be disclosed.

FINANCIAL KEY PERFORMANCE INDICATORS

A review of the business of the Group during the Reporting Period is provided in "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the Reporting Period using key financial performance indicators is provided in the Financial Review on pages 18 to 29 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group sticks to green development and is committed to its mission to "Make People and Nature Healthier Through Biotechnology". During operations, the Group has continuously optimised its environmental management capabilities, improved internal management policies and processes, and implemented low-carbon production and operations, as a way to contribute to environmental wellness.

In 2023, to ensure effective management of energy, resource utilisation, pollutant and greenhouse gas emissions, the Group strengthened water, electricity, gas and steam utilisation management and analysis, and established a monitoring and warning mechanism for waste water and waste gas. Also, the Company renovated the solar heating system through transformation and upgrading of its energy-consuming systems, optimised the processes and upgraded waste water and waste gas treatment systems, and properly disposed of or recycled solid waste pollutants. In this way, the Group has lowered the intensity of energy, greenhouse gas, water and waste emissions.

The Group will continuously optimise operations, enhance green management, and further reduce emission intensity in an effort to achieve sustainable development.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Group has implemented procedures to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators through effective communications. During the year under review, the Group has complied in all material respects, to the best of our knowledge, with the SFO, the Listing Rules, and other relevant rules and regulations.

RELATIONSHIPS WITH EMPLOYEES

The Group encouraged the employees to enhance their competitiveness and ability to innovate new services and products. This raised the momentum in the research and development as well as marketing efforts to increase the revenue of the Group. Through solidifying its business foundation and adjusting its operation directives, the Group is striving to forge ahead under adverse conditions to allow us to achieve new progresses in terms of production and operation under a positive and hardworking work culture.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

We had established a highly diversified customer base, including pharmaceutical and biotech companies, colleges and universities, research institutes, government bodies (including government testing and diagnostic centers), and distributors. The Group strives to "Make Research Easy" by offering life-science research and application services and products for conducting fundamental life-science research, translational biomedical research, and early stage pharmaceutical development. Our synthetic biology products are used by industry users, such as those in the food and feed industries. In 2023, we expanded the range of our services and products and developed new customer accounts. The total number of customers has increased by approximately 16.6% compared to the total number of customers in 2022.

Owing to our vast array of services and products, we procure a wide variety of raw materials from a large number of suppliers for our business segments. As of December 31, 2023, we had a total of approximately 535 suppliers of different raw materials for our production that are mostly located in the Mainland China. In 2023, we maintained sound relationships with our suppliers such that we could meet business challenges and comply with regulatory requirements, thereby deriving cost effectiveness and reaping long term business benefits.

By order of the Board
Meng Jiange
Chairman and Executive Director

Hong Kong,
March 10, 2024

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report as set out in the annual report of the Company for the year ended December 31, 2023.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code contained in Appendix C1 to the Listing Rules (as in effect from time to time) as its own code of corporate governance.

The Company has complied with all the applicable code provisions as set out in the CG Code during the year ended December 31, 2023 and up to the date of this annual report.

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

CORPORATE CULTURE

Vision and Core Value

Founded in 2002 in New Jersey, the U.S., the Company has built upon its proprietary DNA synthesis technology and established a presence in basic life science research, biologics research and development, industrial synthetic products, and cell therapy solutions.

The Company adheres to the corporate mission of "Making People and Nature Healthier Through Biotechnology". Our vision is to be the most trustworthy biotech company in the world. Our mission and vision inspire employees to achieve personal and corporate growth by focusing on our core values across all aspects of the Company: (i) at customer lever, being "Customer First"; (ii) at corporate level, being "Innovation, Pursuit of Excellence and Win-Win Cooperation; and (iii) at employee level, being "Integrity and Introspection".

Strategies to Achieve our Vision

We have been improving our clients' competitiveness through providing our superior quality, fast-delivery and cost-effective services and products. Internally, we focus on continuous investment in R&D and optimising our operational processes and procedures with the aim of striving for the highest quality of end-to-end delivery. Externally, we actively enhance the value of strategic collaborations with business partners with the vision to build up a healthy biotech eco-system and contribute more of our efforts to accelerate the evolution of the whole biotech and biopharma industry.

Responsibility and quality management

Adhering to its responsibilities, the Company unremittingly offers high-quality products and services and puts "Customer First" as a core value. We strive to establish a quality management system for the entire product life cycle and focus on suppliers' social responsibility management to grow together with suppliers. We also continuously improve customer service quality and protect information security and customer privacy. In addition, we respect the ethics of animal experiments and ensure animal health and welfare.

Innovation spirit

With the core values of "Innovation and Pursuit of Excellence", the Company aspires to establish an excellent biotechnology platform, develop innovative products, and leverage our expertise, innovation and R&D to promote the development of the industry and benefit mankind. The Company strives to "Make Research Easy" by offering life-science research and application services and products for conducting fundamental life-science research, translational biomedical research, and early stage pharmaceutical development. Our business has made significant contributions to the global life science research community, and our services and products have been cited in over 87,745 international peer reviewed journal articles as at December 31, 2023.

With the core values of "Innovation through Collaboration", the CDMO segment aspires to drive technological advances that underpin higher quality with "purer" products and achieving better efficacy in biologics development and producing higher titer and "purer" products in manufacturing. We are committed to building capabilities and expertise in Biologics, Cell and Gene Therapies Process Development, and cGMP manufacturing to optimise robust upstream and downstream processes, strengthen quality control, produce and release high-standard drug substance and drug product. We also plan to expand in-house Process Analytical Development and Quality Control capabilities — creating an ecosystem based on continuous improvement and pushing boundaries to solve complex manufacturing challenges.

We will invest efforts to continually improve in the following critical areas: (i) reduced bioburden, endotoxin, and impurity levels through manufacturing controls; (ii) increased productivity and yields enabled by continuous process development with improved media, feeding strategies, and modeling tools; (iii) novel process analytical technology, continuous and automated manufacturing process, AI and modeling tool box integrating our systems to enable real-time monitoring; (iv) data security and integrity to global standards. We also spearhead the development of innovative delivery systems to enhance our manufacturing expertise adaptive to bespoke client requirements for biologics and cell and gene therapy assets.

Operational compliance

We believe that operation compliance is the foundation of corporate development, and integrity is an important part of our core values. The Company always adheres to the principles of honesty and business ethics, established and improved the risk control system, and continuously enhanced governance capabilities.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions, and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established six Board committees, including the Audit Committee, the Remuneration Committee, the Nomination Committee, the Sanctions Risks Control Committee, the Risk Management and ESG Committee and the Strategy Committee (together, the "**Board Committees**"). The Board has delegated responsibilities to the Board Committees as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the shareholders at all times.

Corporate Governance Report

Board Composition

As of the date of this annual report, the Board comprises thirteen members, consisting of four executive Directors, three non-executive Directors, and six independent non-executive Directors as set out below:

Executive Directors

Dr. Zhang Fangliang
Mr. Meng Jiange *(Chairman)*
Ms. Wang Ye *(President)*
Dr. Zhu Li *(Chief Strategy Officer)*

Non-executive Directors

Dr. Wang Luquan
Mr. Pan Yuexin
Ms. Wang Jiafen

Independent non-executive Directors

Mr. Guo Hongxin
Mr. Dai Zumian
Mr. Pan Jiuan
Dr. Wang Xuehai
Mr. Cheung Yiu Leung Andy (effective from April 12, 2024)
Dr. Shi Chenyang (effective from April 12, 2024)

The biographies of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

During the year ended December 31, 2023 and up to the date of this annual report, the Board met the requirements of Rules 3.10 (1) and 3.10 (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board.

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

None of the Directors have any personal relationship (including financial, business, family, or other material/relevant relationship) with any other Director.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge, and professionalism to the Board for its efficient and effective functioning. Non-executive Directors and independent non-executive Directors have been participating in Board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct, taking the lead where potential conflicts of interests arise, scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management and ESG Committee.

With regards to the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments, as well as their identities and the times involved in the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

According to the records kept by the Company, all the existing Directors have received continuous and professional development and training, as set out below, with an emphasis on the roles, functions, and duties of directors in listed companies:

	Attending internal briefings or trainings, participating seminars, or reviewing materials
Name of Directors	
Executive Directors	
Dr. Zhang Fangliang	√
Mr. Meng Jiange	√
Ms. Wang Ye	√
Dr. Zhu Li	√
Non-executive Directors	
Dr. Wang Luquan	√
Mr. Pan Yuexin	√
Ms. Wang Jiafen	√
Independent non-executive Directors	
Mr. Guo Hongxin	√
Mr. Dai Zumian	√
Mr. Pan Jiuan	√
Dr. Wang Xuehai	√
Mr. Cheung Yiu Leung Andy (effective from April 12, 2024)	√
Dr. Shi Chenyang (effective from April 12, 2024)	√

Mr. Cheung Yiu Leung Andy and Dr. Shi Chenyang obtained the legal advice referred to under Rule 3.09D of the Listing Rules on April 8, 2024 and April 5, 2024, respectively. Other Directors obtained the legal advice referred to under Rule 3.09D of the Listing Rules. Each of the Directors understands his or her obligations as a director of a listed issuer under the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board recognises the recommendation of the CG Code that the chairman and the chief executive officer should be separate and performed by different individuals.

The chairman of the Board is Mr. Meng Jiange and the rotating chief executive officers are Ms. SHAO Weihui and Dr. Liu Zhenyu during the Reporting Period. The chairman bears the responsibility for the effective conduct of the Board whilst the rotating chief executive officer bears the executive responsibility for the operations of the Group's business. The chairman and the rotating chief executive officer are not related to each other.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years commencing from December 17, 2022 for Dr. Zhang Fangliang, that from December 1, 2021 for Mr. Meng Jiange and Ms. Wang Ye, and that from November 22, 2023 for Dr. Zhu Li, which can be terminated before the expiration of the term by not less than six months' notice in writing served by either party on the other.

Each of the non-executive Directors has signed an appointment letter with the Company for a term of three years. The effective date of the appointments of Dr. Wang Luquan and Mr. Pan Yuexin is August 24, 2021, and that of Ms. Wang Jiafen is November 26, 2021. Their appointments are subject to termination in accordance with their respective terms.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years. The effective date of the appointment of Mr. Guo Hongxin and Mr. Dai Zumian is August 24, 2021, that of Mr. Pan Jiuan is November 26, 2021, that of Dr. Wang Xuehai is November 22, 2023, and that of Mr. Cheung Yiu Leung Andy and Dr. Shi Chenyang is April 12, 2024. Their appointments are subject to termination in accordance with their respective terms.

Save as disclosed above, no Director has entered into a service contract with the Group that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Pursuant to the Articles, at each annual general meeting, one-third of the Directors shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the confirmation from each of the independent non-executive Directors in respect of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

Two independent non-executive Directors were appointed on April 12, 2024, of which Mr. Cheung Yiu Leung Andy was the former deputy area managing partner at EY, which is the auditor of the, before his retirement in June 2020. The Nomination Committee and the Board are of the view that Mr. Cheung has satisfied the independence requirements for independent non-executive Directors under Rule 3.13 of the Listing Rules taking into account the following factors: (i) Mr. Cheung has ceased to be a partner of EY for more than two years immediately prior to his proposed appointment as an independent non-executive Director, (ii) throughout his service in EY, Mr. Cheung (a) did not serve as a member or leader of the execution team in providing audit or consulting services to the Company, (b) did not serve as an audit partner or engagement partner of EY in providing services to the Company, and (c) had never been consulted on or involved in providing technical supports related to EY's audit services to the Company, (iii) since his retirement from EY, Mr. Cheung has not been involved nor has he participated in any transaction between the Company and EY, and (iv) Mr. Cheung has met all of the requirements under Rule 3.13 of the Listing Rules. The Company has demonstrated to the satisfaction of the Stock Exchange that Mr. Cheung is independent and fulfills all independence requirements under Rule 3.13 of the Listing Rules.

BOARD INDEPENDENCE

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

1. required character, integrity, expertise, experience and stability to fulfill their roles;

2. time commitment and attention to the Company's affairs;

3. commitment to their independent roles respectively pursuant to Rule 3.13 of the Listing Rules;

4. declaration of conflict of interest in their roles as independent non-executive Directors;

5. no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and

6. the chairman meets with the independent non-executive Directors regularly without the presence of the executive Directors.

During the Reporting Period, the Board has reviewed the mechanisms established to ensure independent views and input are available to the Board and was satisfied with the implementation and effectiveness of such mechanisms.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly. Notices of not less than 14 days are given for regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other committee meetings, a reasonable notice will be given in writing to all committee members. The meeting notice states the time and place of the meeting. The agenda and accompanying board committee papers will be provided at least three days before the date of meeting to ensure that Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

Minutes of the Board meetings and Board committee meetings will be recorded in sufficient details for the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

During the Reporting Period, the Board held 5 meetings on March 30, 2023, May 14, 2023, May 26, 2023, August 19, 2023, and November 24, 2023 to cover the following aspects:

(a) to consider and review the financial statement for the year ended December 31, 2022 and for the six months ended June 30, 2023 and its publication, and matters concerning corporate governance and management;

(b) to discuss overall strategies of the Group, monitor the financial and operational performance and approve the annual and interim results of the Group;

(c) to consider and approve the external investments;

(d) to consider and discuss matters concerning the implementation of the Share Options Schemes and the RSA Scheme; and

(e) to consider and discuss matters relating to sanctions, audition, nomination, remuneration and risk management.

During the Reporting Period, the attendance of the individual Directors at the Board meetings mentioned above and the general meeting is set out below:

	Attended/Eligible to attend	
Name of Directors	**Board meetings**	**General Meeting**
Dr. Zhang Fangliang	5/5	1/1
Mr. Meng Jiange	5/5	1/1
Ms. Wang Ye	5/5	1/1
Dr. Zhu Li	5/5	1/1
Dr. Wang Luquan	5/5	1/1
Mr. Pan Yuexin	5/5	1/1
Ms. Wang Jiafen	5/5	1/1
Mr. Guo Hongxin	5/5	1/1
Mr. Dai Zumian	5/5	1/1
Mr. Pan Jiuan	5/5	1/1
Dr. Wang Xuehai	5/5	1/1

The Company's external auditors also attended the annual general meeting of the Company held on May 25, 2023.

During the Reporting Period, the chairman of the Board met with the independent non-executive Directors without the presence of the other Directors to discuss and obtain independent advice on the business operations and financial condition of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own Code for Securities Transaction by Directors and Specified Individuals (the "**Model Code**") on terms no less exacting than the required standard set out in the model code as set out in Appendix C3 of the Listing Rules. Specific inquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code during the Reporting Period.

The Model Code is also applicable to the Company's relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities. No incidents of non-compliance with the Model Code by the Directors and the relevant employees of the Company were noted by the Company during the Reporting Period.

CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance shall be the collective responsibility of the Directors. The Board as a whole is responsible for determining the policy for corporate governance of the Company as well as performing the corporate governance function set out under A.2.1 of the CG Code. The main corporate governance duties of the Board include:

1. to develop and review the Group's policies and practices on corporate governance;

2. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

3. to develop, review, and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

4. to review the Group's compliance with the CG Code and disclosure in the Corporate Governance Report.

The duty to review and monitor the training record and continuous professional development of the Directors and senior management of the Group has been delegated to the Remuneration Committee.

DELEGATION BY THE BOARD

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

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

BOARD COMMITTEES

Nomination Committee

The Nomination Committee currently comprises five members, including an executive Director, namely, Mr. Meng Jiange (chairman of the Nomination Committee) and four independent non-executive Directors, namely, Mr. Pan Jiuan, Mr. Dai Zumian, Mr. Cheung Yiu Leung Andy and Dr. Shi Chenyang.

The principal duties of the Nomination Committee include:

1. to review the structure, size, composition, and diversity (including but not limited to the gender, age, educational background or professional experience, skills, knowledge, and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors;

4. to make recommendations to the Board on the appointment or reappointment of members of the Board and succession planning for members of the Board; and

5. to review the board diversity policy as appropriate to ensure its effectiveness and if necessary, recommend any revision suggestions to the Board for consideration and approval.

In fulfilling its functions, the Nomination Committee has been provided with sufficient resources by the Company to seek independent professional advice to perform its responsibilities.

The written terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code and available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee held three meetings on March 30, 2023, August 10, 2023 and December 24, 2023. The specific agenda of the Nomination Committee covered the following aspects:

(a) to review the structure, size, composition and diversity of the Board;

(b) to review the Company's board diversity policy;

(c) to assess the independence of the independent non-executive directors of the Company;

(d) to make recommendation to the re-election of Directors; and

(e) to make recommendation to the appointment of new Directors and the re-designation of Directors.

During the Reporting Period, the attendance of the individual committee members at the Nomination Committee meeting mentioned above is set out below:

Name of Committee Member	**Committee meetings attended/eligible to attend**
Mr. Meng Jiange *(chairman)*	3/3
Mr. Dai Zumian	3/3
Mr. Pan Jiuan	3/3

Director Nomination Policy

The Board has adopted a director nomination policy which sets out the approach to guide the Nomination Committee in relation to the procedures and process and criteria to select and recommend candidates for directorship and aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the Company.

Pursuant to the director nomination policy, the Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill, and ability to commit time and effort to carry out the duties. The recommendations of the Nomination Committee will then be put to the Board for decision. The Nomination Committee should report back to the Board on its decisions or recommendations after every Nomination Committee meeting.

Board Diversity Policy

The Company believes that board diversity can enhance the performance of the Company. After taking into account the Company's own business model and specific needs and upon the recommendation of the Nomination Committee, the Board has adopted a board diversity policy to ensure that in designing the Board's composition, board diversity will be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, professional experience, educational background, knowledge. The Board will consider setting measurable objectives to implement the board diversity policy and review such objections from time to time to ensure appropriateness and ascertain the progress made towards achieving those objectives. As at December 31, 2023, the Board had two female Directors out of eleven Directors. The Board targets to maintain at least the current level of female representation, with the ultimate goal of achieving gender parity. The Board will consider to continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. The Board will review the implementation and effectiveness of the Company's board diversity policy on an annual basis. The Nomination Committee will review the board diversity policy and its implementation from time to time.

As at December 31, 2023, the Company had 2,962 male employees (42.7%) and 3,975 female employees (57.3%). The Board is satisfied with the gender diversity of our employees and no measurable objective with respect to gender diversity has been adopted as of the date of this annual report. The Company will continue to ensure that gender diversity is maintained when recruiting employees at all levels.

Remuneration Committee

The Remuneration Committee currently comprises three members, including two independent non-executive directors, namely, Mr. Guo Hongxin (chairman of the Remuneration Committee) and Mr. Dai Zumian, and an executive director, namely, Ms. Wang Ye.

The principal duties of the Remuneration Committee include:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of members of the Board and senior management members and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

2. to make recommendations to the Board of the remuneration of members of the Board who are non-executive Directors;

3. to consult with the chairman and/or the chief executive officer of the Company and, where deemed appropriate, senior management members about the Committee's proposals relating to, and have the delegated responsibility to determine, the specific remuneration packages for the employment of all members of the Board who are executive directors and all senior management members, including benefits in kind, pension rights, and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to review and approve performance-based remuneration payable to members of the Board who are executive directors, and senior management members by reference to corporate goals and objectives resolved by the Board from time to time and other measures of performance;

5. to review and approve any compensation additional to that provided for in the remuneration packages determined according to paragraph 3 above, which is payable to members of the Board who are executive directors and senior management members in connection with any loss or termination of their offices or appointments to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

6. to review and approve compensation arrangements relating to dismissal or removal of members of the Board who are executive directors and senior management members for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

7. to ensure that no member of the Board or the senior management members or any of his/her associates is involved in deciding his own individual remuneration;

8. to determine the participation of members of the Board who are executive directors, senior management members, and other employees of the Company in any discretionary employee share or other share-based incentive schemes operated by the Company;

9. to determine targets for any Company-wide performance-related payments for members of the Board who are executive directors and senior management members and individual incentives for members of the Board who are executive directors and senior management members;

10. to determine the provision of benefits and settlement of other provisions under the terms of the service agreements or otherwise of members of the Board who are executive directors and senior management members where these are stated as being at the discretion of the Board;

11. to operate and administer the Company's share option schemes or other incentive schemes (if any) as may be from time to time adopted by the Company; and

12. to review and monitor the training record and continuous professional development of the Directors and senior management of the Company.

In fulfilling its functions, the Remuneration Committee has been provided with sufficient resources by the Company to seek independent professional advice to perform its responsibilities.

The written terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code and available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee held four meetings on March 30, 2023, May 26, 2023, August 19, 2023 and November 22, 2023 to cover the following aspects:

(a) to determine the remuneration policy and structure of Directors and senior management and evaluate and make adjustment to the remuneration of the Directors and senior management;

(b) to assess performance of executive Directors;

(c) to review and approve the terms of executive Directors' service contracts; and

(d) to consider, discuss and approve matters concerning the implementation of the Share Option Schemes and the RSA Schemes under Chapter 17 of the Listing Rules, including but not limited to the number of options and awards, the vesting period and the performance target (if any).

Corporate Governance Report

The attendance of the individual committee members at the Remuneration Committee meeting mentioned above is set out below:

Name of Committee Member	Committee meetings attended/eligible to attend
Mr. Guo Hongxin *(chairman)*	4/4
Ms. Wang Ye	4/4
Mr. Dai Zumian	4/4

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended December 31, 2023 are set out in note 8 to the financial statements in this annual report.

The biographies of the senior management are disclosed in the section headed "Directors and Senior Management" in this annual report. Remuneration paid to the senior management members (excluding the Directors) for the year ended December 31, 2023 is within the range below:

Range of remuneration	Number of Persons
Between HK$12,000,001 and HK$14,000,000 (equivalent to approximately US$1,532,638 and US$1,788,077)	1
Between HK$18,000,001 and HK$22,000,000 (equivalent to approximately US$2,298,956 and US$2,809,835)	1
Between HK$22,000,001 and HK$26,000,000 (equivalent to approximately US$2,809,836 and US$3,320,715)	1

Audit Committee

The Audit Committee currently comprises three members, namely, Mr. Dai Zumian (chairman of the Audit Committee), Mr. Pan Jiuan and Mr. Guo Hongxin, all being independent non-executive Directors.

The principal duties of the Audit Committee are (i) to review and monitor the Company's financial reporting system, risk management, and internal control systems, (ii) to maintain the relations with the external auditor of the Company, and (iii) to review the financial information of the Company. The Audit Committee has been provided with sufficient resources required for it to discharge its function properly.

The written terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code and available on the websites of the Stock Exchange and the Company.

During the Reporting Period, full minutes of the Audit Committee meetings have been kept by the company secretary. Draft and final versions of minutes of the meetings have been sent to all committee members for their comment and records, within a reasonable time after the meeting.

During the Reporting Period, the Audit Committee held three meetings on March 30, 2023, August 19, 2023 and December 26, 2023. The specific agenda of the Audit Committee covered the following aspects:

(a) to consider and review the financial statements for the year ended December 31, 2022 and for the six-month period ended June 30, 2023; and

(b) to review audit planning, the financial reporting system, compliance procedures, internal audit function, risk management and internal control system and procedures and re-appointment of external auditor.

The requirements for Environment, Social and Governance Reporting were duly noted by the Audit Committee.

The attendance record of each committee member of the said Audit Committee meeting held by the Company is set out in the table below:

Name of Director	**Committee meetings attended/eligible to attend**
Mr. Dai Zumian *(chairman)*	3/3
Mr. Guo Hongxin	3/3
Mr. Pan Jiuan	3/3

The Audit Committee met the external auditors once on August 19, 2023 without the presence of the executive Directors nor non-executive Directors.

Sanctions Risk Control Committee

The Sanctions Risk Control Committee is headed by Dr. Liu Zhenyu (chairman of the Sanctions Risk Control Committee), Ms. Shao Weihui, Mr. Wei Shiniu and Dr. Eric Wang as members.

The principal duties of the Sanctions Risk Control Committee include:

1. to effectively monitor the activities that may be subject to economic sanctions;

2. to provide guidance on the compliance with the relevant policies and procedures in relation to economic sanctions;

3. to provide guidance on the compliance with contractual covenants including those made in connection with the Global Offering and Listing; and

4. to ensure the establishment of effective policies in relation to economic sanctions.

During the Reporting Period, the Sanctions Risk Control Committee held five meeting on March 24, 2023, May 31, 2023, July 26, 2023, September 27, 2023 and November 29, 2023 to cover the following aspects:

(a) to discuss items regarding any sanctions related risks on the Group's commercial or other business activities;

(b) to review the activities that may be subject to economic sanctions;

(c) to review relevant policies and procedures in relation to economic sanctions;

(d) to review guidance on the compliance with contractual covenants; and

(e) to review internal control policies and procedures with respect to the sanction risks.

The attendance record of each committee member of the Sanctions Risk and Control Committee meeting held by the Company is set out in the table below:

Name of Committee Member	Committee meetings attended/eligible to attend
Dr. Liu Zhenyu *(chairman)*	5/5
Ms. Shao Weihui	5/5
Mr. Wei Shiniu	5/5
Dr. Eric Wang	5/5

The Sanctions Risk Control Committee has reviewed the sales of the Group to the Sanctioned Countries (as defined and disclosed in the Prospectus) for the year ended December 31, 2023 and the relevant legal opinions from the Company's legal adviser as to international sanctions laws to monitor the Group's exposure to risks of sanctions violations.

Risk Management and ESG Committee

The Risk Management and ESG Committee consists of three members, including one executive Director, namely Dr. Zhang Fangliang as its chairman, and two independent non-executive Directors, namely Mr. Guo Hongxin and Mr. Pan Jiuan.

The principal duties of the Risk Management and ESG Committee include:

1. to review the Company's risk management policies and standards, internal control system and the environmental, social and governance (the "**ESG**") policies and guidelines;

2. to supervise and monitor the Company's risk management, internal control system and ESG strategies;

3. to review and provide comment on the overall target and basic policy of the compliance and risk management; and

4. to review the settings and responsibilities of the Company's compliance and risk management.

During the Reporting Period, the Risk Management and ESG Committee held two meetings on May 26, 2023 and November 24, 2023 to cover the following aspects:

(a) to review and discuss the Company's ESG performance work report; and

(b) to consider and review the Company's ESG planning and related suggestions.

The attendance record of each committee member of the Risk Management and ESG Committee meeting held by the Company is set out in the table below:

Name of Committee Member	Committee meetings attended/eligible to attend
Dr. Zhang Fangliang	2/2
Mr. Guo Hongxin	2/2
Mr. Pan Jiuan	2/2

Strategy Committee

The Strategy Committee consists of three members, including one executive Director, namely Dr. Zhang Fangliang as its chairman, and two non-executive Directors, namely Mr. Pan Jiuan and Ms. Wang Jiafen.

The principal duties of the Strategy Committee include:

1. to review and make recommendations on the medium-to-long-term development strategies (including overall-strategies, human resources strategies, operation strategies, investment strategies and ESG strategies) of the Company;

2. to review and make recommendation on major investment, financing and capital operation plans that are subject to the Board's approval according to the Articles and the Listing Rules;

3. to review and make recommendations on major business reorganisation, acquisition, merge and asset transfer which are subject to the approval of the Board;

4. to review and make recommendations on the expansion to new markets, launch of new businesses and research and development of new products of the Company; and

5. to review the development trends of the ESG industry as well as evaluate and make recommendations on major ESG-related decisions.

During the Reporting Period, the Strategy Committee held one meeting on May 26, 2023 to cover the following aspects:

(a) to discuss the medium-to-long-term development strategies of the Company; and

(b) to review and discuss the scope of the business of the subsidiaries of the Company.

The attendance record of each committee member of the Strategy Committee meeting held by the Company is set out in the table below:

Name of Committee Member	Committee meetings attended/eligible to attend
Dr. Zhang Fangliang	1/1
Mr. Pan Jiuan	1/1
Ms. Wang Jiafen	1/1

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The management has provided the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions, and prospects.

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

The statement by the independent auditors of the Company regarding their reporting responsibilities for the audit of the consolidated financial statements of the Company is set out in the independent auditors' report on pages 100 to 105 in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management and internal control systems to safeguard shareholders' investments and the Company's assets and reviewing the effectiveness of such systems on an annual basis. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and each only provides reasonable and not absolute assurance against material mistreatment or loss.

The Group's internal audit department plays an important role in monitoring the internal governance of the Company. The major duties of internal audit department are to regulate and review the internal control and compliance related matters of the Company and conduct comprehensive audits of all branches and subsidiaries of the Company on a regular basis. The Group's internal audit department performs regular evaluation on the effectiveness of risk control measures taken by each operating department and issues an appraisal report which shall be submitted to our Audit Committee for approval.

The Audit Committee has received an internal control report prepared by the internal audit department during the Year and has considered that the internal control system of the Group remains effective and no material issue is required to be brought to the Board's attention. The Board considers the risk management and internal control systems effective and adequate after review.

The Board has established the Risk Management and ESG Committee on May 2, 2022 for the purposes of, among others, supporting the Board to review the effectiveness of the Company's risk management policies and standards and the ESG policies and guidelines.

The Company has established a risk management process, pursuant to which each operating department is required to identify any significant risks associated with their work and corporate strategies of the Company. Based on the assessment of the identified risks in terms of their likelihood and potential impact, the Company prioritises and pairs each risk with a mitigation plan. Furthermore, any emergencies are required to be reported, evaluated and managed in time to mitigate the impact.

The Group has established a three-tier risk control corporate structure in implementing our internal control and risk management policies and procedures. First, the Board and the senior management oversee and manage the overall risks associated with our business operations. Second, the Audit Committee provides the Directors with an independent review of the effectiveness of the financial reporting process and internal controls, while the Risk Management and ESG Committee reviews the risk management system of the Group regularly and provides suggestions to the Directors. Third, the Group's internal audit department supervises the implementation of our risk management policy at the corporate level and organises an annual audit progress for regularly evaluating the effectiveness of the risk management and internal control measures taken by each operating department and issues an appraisal report which shall be submitted to the Audit Committee for approval.

The Company has established a whistle blowing mechanism to facilitate employees and other stakeholders to raise concerns, in confidence, with the Audit Committee about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall review such mechanism regularly and ensure that proper arrangements are in place for fair and independent investigation of these matters for appropriate follow-up action.

The Company has also in place the anti-corruption policy to safeguard against corruption and bribery within the Company.

The Board is responsible for the management of inside information. Without the approval of the Board, the Company prohibits any inside information from being disclosed to the public.

The management has confirmed to the Board on the effectiveness of the risk management and internal control system for the Reporting Period.

AUDITORS' REMUNERATION

The Company's external auditor is Ernst & Young. A breakdown analysis of the remuneration paid or payable to the auditor in respect of the services provided by the auditor to the Group for the year ended December 31, 2023 is set out below. The Audit Committee has confirmed the independence and objectivity of the external auditor.

	Fees Paid/Payable
	US$'000
Audit services	749
Non-audit service	37
Total	786

Non-audit service included advisory services for the environmental, social and governance report of the Company for the year ended December 31, 2023.

COMPANY SECRETARY

Ms. Wong Wai Ling was appointed as the company secretary of the Company with effect from August 24, 2015. Ms. Wong is a vice president of SWCS Corporate Services Group (Hong Kong) Limited and has over 10 years of experience in providing company secretarial services in Hong Kong. Ms. Wong is an associate member of The Hong Kong Chartered Governance Institute. Ms. Wong's primary corporate contact person at the Company is Mr. Meng Jiange, the chairman of the Board.

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

The annual general meeting of the Company provides an opportunity for shareholders to communicate directly with the Directors. The chairman of the Company and chairmen of the Board Committees, or in their absence, their duly appointed delegates will attend the annual general meeting to answer shareholders' questions. The external auditors of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and contents of the auditors' report, accounting policies, and auditors independence.

To promote effective communication, the Company adopts a shareholders' communication policy that aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website at www.genscript.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices, and other information are available for public access.

The Company has regularly reviewed the implementation and effectiveness of its shareholders' communication policy through discussions amongst the Directors during the board meetings. The Company reviewed its shareholders communication activities conducted in the Reporting Period and was satisfied with the implementation and effectiveness of its shareholders' communication policy.

SHAREHOLDERS' RIGHTS

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

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

DIVIDEND POLICY

Subject to the applicable laws and the Articles through a general meeting, the Company may declare dividends from the profit of the forthcoming periods, but no dividends shall exceed the amount recommended by the Directors. The Directors will consider, from time to time, to pay to our shareholders such interim dividends as the Directors deem to be justified by our financial conditions and profits. The amount of any dividends to be declared or paid in the future will depend on, among other things, the Company's results of operations, cashflows, financial condition, operating and capital requirements, future prospects and other factors that our Directors may deem relevant.

CONVENING EXTRAORDINARY GENERAL MEETINGS AND PUTTING FORWARD PROPOSALS

In accordance with the Articles, extraordinary general meetings shall also be convened on the requisition of one or more Shareholders' holdings, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

With regards to proposing a person for election as a director, the procedures are available on the website of the Company.

Shareholders who intend to put forward their inquiries about the Company to the Board could email their inquiries to our Investor Relations Department at the email address: IR@genscript.com. The Company will not normally deal with verbal or anonymous inquires.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of the Company were adopted by the Company on December 7, 2015 and became effective on the Listing Date. On May 25, 2023, the third amended and restated memorandum and Articles of the Company was adopted by a special resolution of the shareholders of the Company. Please refer to the announcements of the Company dated April 6, 2023 and May 25, 2023 and the Articles displayed on the website of the Stock Exchange for details.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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To the shareholders of Genscript Biotech Corporation
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Genscript Biotech Corporation (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 106 to 232, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter (Continued)

Revenue recognition — Life science services and products

Revenue of life science services and products (including life science services and products segment, biologics development services segment and industrial synthetic biology products segment) amounted to US$548,112,000 was recognised during the year ended 31 December 2023, which represents 65.3% of the Group's total revenue.

Revenue recognition has been identified as a risk, particularly in respect of the occurrence and accuracy of a significant volume of transactions and the timing of revenue recognition for sales of goods and rendering of services with deliveries occurring at on or around the year end. Due to the significant volume of transactions, minor errors could, in aggregate, have a material impact on the financial statements. Therefore, we identified the revenue recognition for life science services and products as a key audit matter.

The Group's disclosure about accounting policies of revenue recognition is included in Note 2.4 material accounting policies and about revenue breakdown in Note 5 to the financial statements.

How our audit addressed the key audit matter

We performed the review on management's assessment of revenue recognition under HKFRS 15. We obtained an understanding, evaluated the design, and tested the operating effectiveness of the internal controls related to the revenue recognition process. On a sample basis, we examined deliveries, contracts and other supporting documents during the year to assess whether the revenue recognition criteria were met for control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. We traced to goods delivery notes, client acceptance notes, service report download records and other supporting documents to verify the appropriateness of revenues recognised on or around year-end. We performed monthly analysis to observe the sales trend and identify whether there are any unusual sales and evaluated its reasonableness. We performed testing on journal entries to identify any management override of internal controls related to revenue recognition.

Independent Auditor's Report

Key audit matter (Continued)

Fair value measurement of convertible redeemable preferred shares of an unlisted subsidiary

An unlisted subsidiary of the Company has issued convertible redeemable preferred shares to third party institutional investors, which were classified as financial liabilities at fair value through profit or loss. As at 31 December 2023, the fair values of the convertible redeemable preferred shares was amounted to US$350,151,000, based on valuations from an independent professional valuer engaged by management to assist in the fair value measurement.

The determination of the fair values of the convertible redeemable preferred shares issued by the unlisted subsidiary involves significant estimates made by management. Therefore, we identified the fair value measurement of convertible redeemable preferred shares as a key audit matter.

The Group's disclosures about the convertible redeemable preferred shares and warrants are included in Notes 2.4, 3, 29 and 42 to the financial statements.

How our audit addressed the key audit matter

We obtained the related documents, including but not limited to, the share purchase agreement, shareholders agreement and the memorandum and articles of associations of the unlisted subsidiary, and reviewed the key terms to assess the appropriateness of the Group's accounting treatments. We assessed the competency, capability and objectivity of the independent professional valuer engaged by management. We evaluated the reasonableness of the valuation techniques, methodologies and key assumptions used in the fair value valuations, and involved our internal valuation specialists to assist us in conducting the evaluation. We also assessed the adequacy of the related disclosures in the notes to the financial statements.

Key audit matter (Continued)	How our audit addressed the key audit matter
Collaboration and license agreement with Janssen Biotech, Inc.	
As disclosed in notes to the consolidated financial statements, the Group entered into a collaboration and license agreement ("**collaboration agreement**") with Janssen Biotech, Inc. ("**Janssen**"). Under the collaboration agreement, the Group granted Janssen a worldwide, co-exclusive (with the Group) license to develop and commercialize cilta-cel. The Group and Janssen share equally revenue, expenses and profits of CARVYKTI in all areas other than the People's Republic of China. Auditing the Group's accounting for the collaboration agreement was challenging because the agreement is complex, and the Group exercised significant judgment in applying the existing accounting standards to the collaboration agreement, including as they relate to collaboration revenue, collaboration cost of revenue, collaboration inventories, and leases of collaboration assets. The Group's disclosures about the collaboration and license agreement with Janssen are included in Notes 2.4, 3, 5, 15 and 20 to the financial statements.	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management's review of the authoritative guidance applicable to the collaboration agreement and related accounting treatment for collaboration revenue, collaboration cost of revenue, collaboration inventories, and leases of collaboration assets. Our audit procedures to test the Group's application of the authoritative guidance to the collaboration agreement included, among others, reading the contractual agreement and amendments, testing the completeness of management's identified significant terms and assessing the terms of the agreement and amendments for relevant accounting implications, including the identification of the customer. We also evaluated the appropriateness of management's selection and application of the authoritative guidance and the determination and consistency of its accounting policies, and we compared amounts recorded for consistency with the Group's accounting policies and underlying documentation.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Shun Lung Wai, Ricky.

Ernst & Young
Certified Public Accountants
Hong Kong
10 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 US$'000	2022 US$'000
REVENUE	5	839,529	625,698
Cost of sales		(429,976)	(321,615)
Gross profit		409,553	304,083
Other income and gains	5	89,576	25,105
Selling and distribution expenses		(174,298)	(168,349)
Administrative expenses		(213,441)	(182,462)
Research and development expenses		(432,827)	(390,096)
Fair value gains of preferred shares and warrants	29	43,457	18,769
Other expenses		(29,052)	(12,842)
Finance costs	7	(27,510)	(13,269)
Provision for impairment of long-term assets		(11,659)	(11,477)
Provision for impairment of financial assets, net		(4,778)	(1,152)
LOSS BEFORE TAX	6	(350,979)	(431,690)
Income tax (expense)/credit	10	(4,142)	3,719
LOSS FOR THE YEAR		(355,121)	(427,971)
Attributable to:			
Owners of the parent		(95,477)	(226,851)
Non-controlling interests		(259,644)	(201,120)
		(355,121)	(427,971)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic (US cent per share)		(4.53)	(10.82)
Diluted (US cent per share)		(4.53)	(10.82)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 US$'000	2022 US$'000
LOSS FOR THE YEAR	**(355,121)**	(427,971)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**19,494**	(41,095)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**19,494**	(41,095)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**19,494**	(41,095)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(335,627)**	(469,066)
Attributable to:		
Owners of the parent	**(92,090)**	(271,837)
Non-controlling interests	**(243,537)**	(197,229)
	(335,627)	(469,066)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	31 December 2023 US$'000	31 December 2022 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	608,107	521,567
Advance payments for property, plant and equipment		22,218	22,251
Investment properties	14	5,442	6,833
Right-of-use assets	15	120,620	103,105
Goodwill	16	1,356	2,547
Other intangible assets	17	18,648	23,811
Investments in associates	18	15,291	4,372
Financial assets at fair value through profit or loss	19	31,869	11,657
Deferred tax assets	31	16,506	15,045
Time deposits	24	38,247	—
Other non-current assets	23	155,887	70,245
Total non-current assets		1,034,191	781,433
CURRENT ASSETS			
Inventories	20	53,346	59,935
Contract costs	21	17,880	16,490
Trade and notes receivables	22	217,443	104,089
Prepayments, other receivables and other assets	23	103,320	93,904
Financial assets at fair value through profit or loss	19	105,645	210,819
Restricted cash	24	33,072	27,203
Time deposits	24	376,002	228,511
Cash and cash equivalents	24	1,446,403	1,023,999
Total current assets		2,353,111	1,764,950
CURRENT LIABILITIES			
Trade and bills payables	25	39,959	55,755
Other payables and accruals	26	273,405	303,361
Interest-bearing loans and other borrowings	27	57,011	33,681
Lease liabilities	15	8,867	11,104
Tax payable		18,132	16,153
Contract liabilities	28	97,437	41,675
Financial liabilities at fair value through profit or loss	29	—	84,249
Total current liabilities		494,811	545,978
NET CURRENT ASSETS		1,858,300	1,218,972
TOTAL ASSETS LESS CURRENT LIABILITIES		2,892,491	2,000,405

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 US$'000	31 December 2022 US$'000
NON-CURRENT LIABILITIES			
Interest-bearing loans and other borrowings	27	287,207	261,006
Lease liabilities	15	63,905	44,008
Contract liabilities	28	47,962	2,010
Deferred tax liabilities	31	5,622	8,012
Financial liabilities at fair value through profit or loss	29	350,151	269,460
Financial liabilities measured at amortised cost	30	75,363	36,761
Other non-current liabilities	26	17,927	16,480
Total non-current liabilities		848,137	637,737
Net assets		2,044,354	1,362,668
EQUITY			
Share capital	32	2,121	2,111
Treasury shares		(9,445)	(11,922)
Reserves	35	1,398,403	1,020,352
Equity attributable to owners of the parent		1,391,079	1,010,541
Non-controlling interests		653,275	352,127
Total equity		2,044,354	1,362,668

Zhang Fangliang
Director

Meng Jiange
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent											
	Share capital US$'000 (Note 32)	Treasury shares US$'000 (Note 32)	Share premium* US$'000 (Note 32)	Merger reserve* US$'000	Share option reserve* US$'000 (Notes 33 &34)	Other reserve* US$'000	Statutory surplus reserve* US$'000	Accumulated losses* US$'000	Exchange fluctuation reserve* US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2023	2,111	(11,922)	1,473,027	(20,883)	93,775	1,597	13,790	(516,038)	(24,916)	1,010,541	352,127	1,362,668
Loss for the year	–	–	–	–	–	–	–	(95,477)	–	(95,477)	(259,644)	(355,121)
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	3,387	3,387	16,107	19,494
Total comprehensive loss for the year	–	–	–	–	–	–	–	(95,477)	3,387	(92,090)	(243,537)	(335,627)
Acquisition of equity by minority shareholders	–	–	–	–	–	(693)	–	–	–	(693)	693	–
Issuance of ordinary shares of Legend Cayman for registered direct offering, private placements and exercise of Legend Warrant, net of issuance costs	–	–	429,065	–	–	–	–	–	–	429,065	507,114	936,179
Equity-settled share-based compensation expenses	–	–	–	–	39,235	–	–	–	–	39,235	24,227	63,462
Exercise of share options and restricted share units	10	2,477	37,166	–	(34,632)	–	–	–	–	5,021	12,651	17,672
At 31 December 2023	2,121	(9,445)	1,939,258	(20,883)	98,378	904	13,790	(611,515)	(21,529)	1,391,079	653,275	2,044,354

* These reserve accounts comprise the consolidated reserves of US$1,398,403,000 (31 December 2022: US$1,020,352,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to owners of the parent											
	Share capital US$'000 (Note 32)	Treasury shares US$'000 (Note 32)	Share premium* US$'000 (Note 32)	Merger reserve* US$'000	Share option reserve* US$'000 (Notes 33 &34)	Other reserve* US$'000	Statutory surplus reserve* US$'000	Accumulated losses* US$'000	Exchange fluctuation reserve* US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2022 (Restated)	2,096	(15,753)	1,274,271	(20,883)	61,588	—	13,790	(289,187)	20,070	1,045,992	341,701	1,387,693
Loss for the year	—	—	—	—	—	—	—	(226,851)	—	(226,851)	(201,120)	(427,971)
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(44,986)	(44,986)	3,891	(41,095)
Total comprehensive loss for the year	—	—	—	—	—	—	—	(226,851)	(44,986)	(271,837)	(197,229)	(469,066)
Issuance of ordinary shares of Legend Cayman	—	—	182,464	—	—	—	—	—	—	182,464	195,179	377,643
Transactions with non-controlling shareholders	—	—	(1,182)	—	—	—	—	—	—	(1,182)	(7,599)	(8,781)
Equity component from the issuance of preferred shares of a subsidiary of the Company	—	—	—	—	—	1,597	—	—	—	1,597	—	1,597
Equity-settled share-based compensation expenses	—	—	—	—	49,559	—	—	—	—	49,559	15,595	65,154
Exercise of share options and restricted share units	15	3,831	17,474	—	(17,372)	—	—	—	—	3,948	4,480	8,428
At 31 December 2022	2,111	(11,922)	1,473,027	(20,883)	93,775	1,597	13,790	(516,038)	(24,916)	1,010,541	352,127	1,362,668

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 US$'000	2022 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(350,979)	(431,690)
Adjustments for:			
Provision for impairment of trade receivables and other receivables	22	4,778	1,152
Provision for inventories and contract costs to net realisable value	6	12,602	4,087
Depreciation of property, plant and equipment	13	54,836	46,637
Depreciation of investment properties	14	100	90
Depreciation of right-of-use assets	15	14,580	12,104
Amortisation of other intangible assets	17	4,530	5,417
Loss on disposal of property, plant and equipment, and other intangible assets	6	691	772
Finance income	5	(73,186)	(10,003)
Fair value gains of preferred shares and warrants	29	(43,457)	(18,769)
Share of losses of associates	6	1,384	27
Fair value changes on financial assets at fair value through profit or loss		(2,425)	3,643
Provision for impairment of long-term assets	6	11,659	11,477
Finance costs	7	27,510	13,269
Deferred subsidies		(1,889)	(1,083)
Foreign exchange differences, net	6	25,684	3,896
Equity-settled share-based compensation expense		60,591	65,154
		(252,991)	(293,820)
(Increase)/decrease trade and notes receivables		(116,988)	38,066
Increase in prepayments, other receivables and other assets		(11,160)	(59,739)
Increase in inventories		(3,928)	(19,525)
Decrease in other non-current assets		292	1,280
Increase in contract costs		(565)	(7,613)
(Decrease)/increase in trade and bills payables		(37,025)	25,579
(Decrease)/increase in other payables and accruals		(20,281)	181,116
Increase in contract liabilities		100,771	6,756
Increase/(decrease) in other non-current liabilities		623	(83)
Decrease/(increase) in restricted cash		1,355	(1,370)
Cash used in operations		(339,897)	(129,353)
Interest received		58,832	10,440
Interest paid for finance rental lease payment		(2,683)	(1,632)
Interest paid		(502)	(407)
Income taxes paid		(4,575)	(4,830)
Income taxes received		1,914	5,490
Net cash flows used in operating activities		(286,911)	(120,292)

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 US$'000	2022 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(153,662)	(201,303)
Purchases of financial assets at fair value through profit or loss		(167,514)	(374,209)
Redemption of financial assets at fair value through profit or loss		252,893	157,693
Redemption of financial assets measured at amortised cost		—	30,000
Purchases of time deposits		(5,576,353)	(610,971)
Redemptions of time deposits		5,401,905	578,648
Proceeds from disposal of property, plant and equipment		242	88
Purchases of intangible assets		(4,051)	(2,269)
Receipt of investment income/(payment of investment loss)		5,309	(3,088)
Increase in restricted cash		(5,060)	(3,590)
Repayment of loans from associates		—	1,429
Purchases of investments in associates		(12,653)	(1,115)
Disposal of an associate		—	201
Prepayment to collaborator for collaboration assets		(98,784)	(14,810)
Net cash flows used in investing activities		(357,728)	(443,296)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuances of shares of subsidiaries, and preferred shares and warrants of the Company's subsidiaries, net of issuance cost		1,012,516	414,897
Exercise of share options		17,652	8,410
Proceeds from loans and borrowings		74,388	33,062
Repayment of loans and borrowings		(24,606)	(463)
Increase in restricted cash		(2,171)	(20,883)
Principal portion of lease payments	15	(9,454)	(6,925)
Acquisition of non-controlling interests		(204)	(12,647)
Capital injection received by non-controlling shareholders of subsidiaries		139	3,866
Net cash flows generated from financing activities		1,068,260	419,317
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		423,621	(144,271)
Cash and cash equivalents at beginning of the year		1,023,999	1,180,971
Effect of foreign exchange rate changes, net		(1,217)	(12,701)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24	1,446,403	1,023,999

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE INFORMATION

Genscript Biotech Corporation (the "**Company**") was incorporated on 21 May 2015 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the manufacture and sale of life science research products and services. The products and services mainly include life-science services and products, biologics development services, industrial synthetic biology products and cell therapy. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 December 2015.

In the opinion of the directors, the ultimate holding company of the Company is Genscript Corporation ("**GS Corp**"), which was incorporated in the United States of America.

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2023 are as follows:

Name	Place and date of incorporation/ registration and place of business	Issued ordinary share/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
GenScript (Hong Kong) Limited ("**GS HK**")	PRC/ Hong Kong 8 January 2009	HK$155,000	—	100	Sale of life science research products and services
Nanjing GenScript Biotech Co., Ltd. ("**GS China**") — wholly foreign-owned enterprise	PRC/ Mainland China 12 March 2009	US$88,020,000	—	100	Manufacture and sale of life science research products and services
GenScript USA Incorporated ("**GS USA**")	United States of America 26 March 2009	US$1,000	100	—	Manufacture and sale of life science research products and services
Genscript (Nanjing) Co., Ltd. ("**Nanjing Jinsikang**") — limited liability company	PRC/ Mainland China 30 April 2009	RMB132,550,600	—	100	Investment holding company

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and place of business	Issued ordinary share/ paid-up capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Jiangsu GenScript Biotech Co., Ltd. ("**GenScript Jiangsu**") — wholly foreign-owned enterprise	PRC/ Mainland China 31 August 2016	RMB708,463,000	—	100	Manufacture and sale of life science research products and services
Nanjing Bestzyme Bio-Engineering Co., Ltd. ("**Nanjing Bestzyme**") — limited liability company	PRC/ Mainland China 6 June 2013	RMB315,416,237	—	92.19	Manufacture and sale of life science research products and services
Jinan Bestzyme Bio-Engineering Co., Ltd. ("**Jinan Bestzyme**") — limited liability company	PRC/ Mainland China 19 August 2009	RMB45,436,341	—	100	Manufacture and sale of life science research products and services
Legend Biotech Corporation ("**Legend Cayman**" or "**Legend**")	Cayman Islands 27 May 2015	US$36,382	47.96	—	Investment holding company
Nanjing Legend Biotech Co., Ltd. ("**Legend Nanjing**") — wholly foreign-owned enterprise	PRC/ Mainland China 17 November 2014	US$212,500,000	—	47.96	Manufacture and sale of life science research products and services
Legend Biotech USA Incorporated ("**Legend USA**")	United States of America 31 August 2017	—	—	47.96	Manufacture and sale of life science research products and services
Legend Biotech Ireland Limited ("**Legend Ireland**")	Ireland 13 November 2017	US$2,217,445,234	—	47.96	Manufacture and sale of life science research products and services

Notes to Financial Statements

31 December 2023

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and place of business	Issued ordinary share/ paid-up capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Genscript Biotech (Netherlands) B.V. ("**GS EU**")	Netherlands 6 December 2017	—	—	100	Manufacture and sale of life science research products and services
Genscript USA Holding Inc. ("**GS Holding**")	United States of America 18 August 2017	—	—	100	Investment holding company
CustomArray, Inc. ("**CustomArray**")	United States of America 1 January 2018	US$957,800	—	100	Manufacture and sale of life science research products and services
Genscript Biotech Singapore PTE. LTD. ("**Genscript Singapore**")	Singapore 28 November 2019	SGD1,341,801	—	100	Manufacture and sale of life science research products and services
Probio Technology Limited ("**Probio Cayman**")	Cayman Islands 5 July 2021	—	—	100	Investment holding company
Probio Technology HK Limited ("**Probio HK**")	PRC/Hong Kong 15 June 2021	HK$1	—	100	Sale of life science research products and services
Nanjing Probio Biotech Co., Ltd. ("**Probio Nanjing**")	PRC/ Mainland China 7 July 2021	US$45,000,000	—	100	Manufacture and sale of life sciences research products and services
Jiangsu GenScript Probio Biotech Co., Ltd. ("**Probio Jiangsu**")	PRC/ Mainland China 19 July 2021	US$166,000,000	—	100	Manufacture and sale of life sciences research products and services
Genscript Probio USA Inc. ("**Probio USA**")	United States of America 13 September 2021	—	—	100	Manufacture and sale of life sciences research products and services
Probio Technology (Netherlands) B.V.("**Probio NL**")	Netherlands 26 August 2021	EUR50,000	—	100	Manufacture and sale of life sciences research products and services

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the revenue, gross profit and total assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets and financial liabilities which have been measured at fair value. These financial statements are presented in United States dollars ("**US$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserves; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in Note 2.4 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 31 to the financial statements. However, they did not have material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any significant impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Notes to Financial Statements

31 December 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognised its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where recognised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognised any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that included has acquired a business when the acquired set of activities and assets included an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value through profit and loss, warrant liabilities and convertible redeemable preferred shares at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the assets or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis for each item of property, plant and equipment over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings and leasehold improvements	2% to 20%
Machinery and equipment	$6^2/_3$% to $33^1/_3$%
Transportation equipment	10%
Computer and office equipment	20% to $33^1/_3$%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in buildings held to earn rental income. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 22 years.

The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each financial year end. The effects of any revision are included in the statement of profit or loss when the changes arise.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	2 to 10 years
Patents and licenses	5 to 20 years
Customer relationship	10 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component, the Group elected to allocate the consideration in the contract to the lease and non-lease components on the basis of the relative standalone price of each component.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Buildings,machinery and office premises	2 to 50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Leases of Collaboration Assets

The Group, through Legend, and its collaboration partner purchase assets to be used for their collaboration and share the associated costs in accordance with the terms and conditions of the Janssen Agreement. The Group accounts for leases to and by the collaboration by applying the guidance in HKFRS 16 on joint arrangements by analogy.

If Legend's collaboration partner owns the asset, and on the basis of the terms and conditions of the Janssen Agreement, there is a lease from Legend's collaboration partner to the collaboration, the Group recognizes a right-of-use asset and lease liability for its share of the asset leased from the collaboration partner to the collaboration. This is usually the case when the collaboration, through the Joint Steering Committee ("**JSC**") and other governance committees, has the right to direct the use and obtains substantially all of the economic benefits from using the asset. Lease payments the Group makes prior to lease commencement are recorded as prepaid rent within other non-current assets and will be reclassified to a right-of-use asset upon lease commencement.

If Legend owns the asset, and on the basis of the terms and conditions of the Janssen Agreement, there is a lease from the Group to the collaboration, the Group recognizes a finance lease for the asset it leases to the collaboration. In such cases, the Group's share of the asset that is jointly controlled by the collaboration is recorded in property, plant and equipment, and a lease receivable is recognised for the collaboration partner's share of the asset on the consolidated statements of financial position within prepayments, other receivables and other assets.

The Group recognizes the full lease liability, rather than its share, for leases entered into on behalf of the collaboration if the Group has the primary responsibility for making the lease payments. This may be the case when the Group, as a lead operator of the collaboration, is the sole signatory to the lease. A finance sublease is subsequently recognised if the related right-of-use asset is subleased to the collaboration.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on other equity investments are also recognised as other income in profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, financial liabilities at fair value through profit or loss, financial liability measured at amortised cost, interest-bearing loans and borrowings and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Convertible redeemable preferred shares

The component of convertible redeemable preferred shares that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible redeemable preferred shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument; and this amount is initially carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in other reserve in equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent periods. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Financial liabilities at amortised cost (trade and other payables, redemption obligation and borrowings)

After initial recognition, trade and other payables, redemption obligation and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Collaboration inventories

Collaboration inventories include finished goods manufactured, items in the process of being manufactured, the materials to be used in the manufacturing process associated with goods that are to be sold to the Group's collaboration partner. Finished goods represent manufactured product that are pending quality release. Upon quality release, the product is delivered to the Group's collaboration partner to distribute to the customer.

Collaboration inventories are stated at the lower of cost and the collaboration inventory's net realizable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on the estimated selling prices the collaboration sells the product to customers less any estimated costs to be incurred to completion and disposal.

The Group records provisions for obsolete, slow moving or defective inventory. Collaboration inventory costs for product that is used for preclinical and clinical programs are charged to research and development expenses when the inventory is dedicated to preclinical or clinical use. The Group records within prepayments, other receivables and other assets the accounts receivable related to inventory purchased and delivered to the Group's collaboration partner as well as the amount the Group is entitled to be reimbursed from its collaboration partner for inventory costs incurred that are in process of production.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and bank balances, less restricted cash, time deposits and bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks.

Time deposits

Time deposits represent deposits with fixed maturities. The time deposits are presented as a non-current asset if the collection of time deposits is expected more than one year.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Subsidies

Subsidies are granted by government authorities, and recognised at their fair value where there is reasonable assurance that the subsidy will be received and all attaching conditions will be complied with. When the subsidy relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the subsidy relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Collaboration Arrangements

The Group enters into collaboration arrangements with pharmaceutical and biotechnology collaboration partners, under which the Group may grant licenses to its collaboration partner to further develop and commercialize one of its product candidates. The Group may also perform research, development, manufacturing and commercial activities under its collaboration arrangements. Consideration under these contracts may include an upfront payment, development and regulatory milestones, commercial sales milestones and other contingent payments, expense reimbursements, and profit-sharing.

For collaboration arrangements that contain multiple elements, at contract inception the Group determines whether elements of the collaboration are reflective of a vendor-customer relationship and therefore are within the scope of HKFRS 15. Elements of the collaboration arrangements that involve joint operating activities performed by the parties that are both active participants in the activities and exposed to significant risks and rewards of such activities are not arrangements with a customer and are outside the scope of HKFRS 15. For a distinct bundle of goods or services within the arrangement that is not with a customer, the recognition and measurement of that unit of account shall be based on other authoritative accounting literature, or if there is no appropriate authoritative accounting literature, a reasonable, rational and consistently applied accounting policy election.

If the Group concludes that its collaboration partner is not a customer for certain activities and associated payments, such as for certain collaborative research, development, manufacturing and commercial activities, the Group presents payments from its collaboration partner as a reduction of expense, based on where the Group presents the underling expense. If the Group's collaborator performs research and development, manufacturing or commercialization-related activities, the Group recognizes as expense (e.g. research and development expense or selling and distribution expense, as applicable) in the period when its collaborator incurs such expenses, the portion of the collaborator's expenses that the Group is obligated to reimburse.

(i) Profit sharing

Legend and Janssen share equally profits on sales of CARVYKTI in all areas other than the People's Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan ("Greater China"), where Legend retains or bears 70 percent of pre-tax profits or losses. In all areas other than Greater China, as Janssen is the principal in the sale transaction with the customer, Legend recognizes a pro-rata share of collaboration net trade sales in the period Janssen completes the sale and delivers the product to the customer. Legend's share of collaboration net trade sales in all areas other than Greater China are recognised within license and collaboration revenue on the statement of profit or loss. Subsequent to regulatory approval, revenue from sales of product in Greater China will be recognised as product sales on the statement of profit or loss as Legend will be the principal in the sale to the customer.

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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Collaboration Arrangements (Continued)

(ii) Collaborative activities

In addition to the license of intellectual property, the Janssen Agreement includes joint development, manufacturing and commercial activities that are performed by Legend and its collaboration partner. These activities and the related consideration for these activities are outside the scope of HKFRS 15 as Legend and its collaboration partner are both active participants in the activities and are exposed to significant risks and rewards of such activities.

(iii) Product Sales

Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. To date Legend has not generated any product sales in Greater China. Legend's share of collaboration net trade sales in which Janssen is the principal in the sale transaction with the customer is recognised as license and collaboration revenue on the statement of profit or loss.

(iv) Collaboration cost of revenue

Collaboration cost of revenue relates to the sale of CARVYKTI and includes costs incurred by Legend as well as Legend's pro-rata share of collaboration cost of revenue. Collaboration cost of revenue includes the cost of inventory sold, manufacturing costs, other costs attributable to production, and provisions to write down inventory, such as for excess and obsolete inventory or inventory that did not meet quality specifications.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Life science services and products

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

(i) Rendering of services

Revenue for services rendered mainly represent the Group's life-science services and biologics development services.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same. For contracts that contains more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of each performance obligation is determined at contract inception. It represents the price at which the Group would sell the promised service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

Revenue is recognised at the point in time when the Group transfers the control for underlying services and has the right to payment from the customers for the services performed, upon the delivery or acceptance of the underlying services.

The Group's revenue for life science services and products is recognised at the point in time when the Group transfers the control of services/deliverable units or products to customers and has the right to payment from the customers upon the finalisation, delivery and acceptance of the promised services/deliverable units or the delivery and acceptance of the promised products.

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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Life science services and products (Continued)

(ii) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery or acceptance of the goods.

(b) Licenses of Intellectual Property

For licenses arrangements that include a grant of a license to the Group's intellectual property, the Group considers whether the license grant is distinct from the other performance obligations included in the contract. In assessing whether a license is distinct from the other promises, the Group considers factors such as the research, development, manufacturing and commercialization capabilities of the collaboration partner and the availability of the associated expertise in the general marketplace. In addition, the Group considers whether the counterparty can benefit from a license for its intended purpose without the receipt of the remaining promise(s) by considering whether the value of the license is dependent on the unsatisfied promise(s), whether there are other vendors that could provide the remaining promise(s), and whether it is separately identifiable from the remaining promise(s).

The Group evaluated that the license, including a technology transfer service, is a single performance obligation in the Janssen Agreement, which represents a right to use the Group's license as it exists at the point in time that the license is granted. Revenue from licenses is recognised when the control of the right to use of the license is transferred to the customer. The Group evaluated that the license (inclusive of know-how) and the delivery of the Handover Package Documents which includes performing the Legend Phase 1 trial, is a single performance obligation in the Novartis Licensing Agreement, which represents a right to use our license over time after the license is granted and the Legend Phase 1 trial is ongoing. Revenue from licenses is recognized when the value of the right to use of the license is transferred to the customer which occurs over time during the Phase 1 trial.

(i) Upfront Payments

Upfront payment is allocated to the performance obligations based on the Group's best estimate of their relative stand-alone selling prices.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(b) Licenses of Intellectual Property (Continued)

(ii) Milestone Payments

Milestone payments represent a form of variable consideration which are included in the transaction price to the extent that it is highly probable that a significant reversal of accumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. At the inception of each arrangement that includes milestone payments, the Group evaluates whether the milestones are considered highly probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. Milestone payments that are not within the control of the Group, such as regulatory approvals, are not considered highly probable of being achieved until those approvals are received. The Group evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment. There is considerable judgement involved in determining whether it is highly probable that a significant reversal of cumulative revenue would not occur. At the end of each subsequent reporting period, the Group re-evaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price.

When the Group cannot conclude that it is highly probable that a significant revenue reversal of cumulative revenue under the contract will not occur, the Group constrains the related variable consideration resulting in its exclusion from the transaction price. At the end of each subsequent reporting period, the Group re-evaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price.

(iii) Royalty Payments

The Group recognizes revenue for sales-based milestone payments promised in exchange for a license of intellectual property only when (or as) the later of the following events occurs:

(a) the subsequent sale occurs; and

(b) the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(c) Novartis Licensing Agreement — Legend

Legend, entered into a license agreement with Novartis. The terms of the arrangement include: non-refundable upfront fees and milestone payments for the achievement of specified development milestones and specified net trade sales milestones as well as tiered royalties. The Group has assessed that there are two distinct performance obligations. Performance Obligation 1 (PO1); A combined performance obligation that includes delivery of the license (inclusive of know-how) and the delivery of the Handover Package Documents which includes performing the Legend Phase 1 trial. Performance Obligation 2 (PO2); Supply of materials. The transaction price was allocated to the two performance obligations.

Input Method

The Group use input methods to measure the progress toward the complete satisfaction of performance obligations satisfied over time. Significant management judgment is required in determining the level of effort required under an arrangement and the period over which we are expected to complete our performance obligations under an arrangement. The Group evaluate the measure of progress each reporting period and, if necessary, adjust the measure of performance and related revenue recognition.

The Group have concluded that revenue associated with the Novartis Licensing Agreement will be recognized over time using the input method as the delivery of the license is not distinct from the Legend Phase 1 trial.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Contract liabilities

A contract liability is recognised when a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Group operates several share option schemes and restricted stock units schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Further details of which are given in Note 33 and Note 34 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group participates in the national pension schemes as defined by the laws of the countries and regions in which it has operations.

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

The non-PRC employees are covered by other defined contribution pension plans sponsored by the respective local governments.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the Note 11 to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in US$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries established in the PRC, Japan, Europe, Singapore and Hong Kong are currencies other than the US$. As at the end of the reporting period, the assets and liabilities of these entities are translated into United States dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into US$ at the exchange rate that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statements of cash flows, the cash flows established in the subsidiaries are translated into US$ at exchange rates that approximate to those prevailing at the dates of the transactions. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into US$ at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Group has applied the following judgements that significantly affect the determination of the performance obligations and the method to estimate variable consideration of revenue from contracts with customers:

(i) Determining the performance of obligations of the contract

In determining whether the license, including the technology transfer service, transfers to a customer either at a point in time or over time, the Group considers whether the nature of the Group's promise in granting the license to a customer is to provide a right to access or a right to use the Group's intellectual property. The Group assessed that the Group provides a right to use the license as the license under the Janssen Agreement exists (in terms of form and functionality) at a point in time at which it is granted and the technology transfer occurred, which is when the customer can use and benefit from the license. The license is already developed and has positive results on cancer patient candidates. The next step is to perform clinical trials again in a controlled and monitored environment.

The Group use input methods to measure the progress toward the complete satisfaction of performance obligations satisfied over time. Significant management judgment is required in determining the level of effort required under an arrangement and the period over which we are expected to complete our performance obligations under an arrangement. The Group evaluate the measure of progress each reporting period and, if necessary, adjust the measure of performance and related revenue recognition.

The Legend has allocated the entire transaction price to the license of intellectual property under the Janssen Agreement, as this is the sole performance obligation in the arrangement. The Legend has allocated the transaction price to the two performance obligations under the Novartis Licensing Agreement: (a) a combined performance obligation that includes delivery of the license (inclusive of know-how) and the delivery of the Handover Package Documents which includes performing the Legend Phase 1 trial; and (b) supply of materials.

Notes to Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgement (Continued)

Revenue from contracts with customers (Continued)

(ii) Determining the method to estimate variable consideration

Certain contracts include milestone payments that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for the milestone payments as this method better predicts the amount of variable consideration to which the Group will be entitled.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The net carrying amount of goodwill as at 31 December 2023 was US$1,356,000 (2022: US$2,547,000). Further details are given in Note 16 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns by product type and rating.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the life science sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 22 to the financial statements.

Leases — Estimating the incremental borrowing rate

In calculating the present value of lease payments, the Group uses its incremental borrowing rate ("**IBR**") because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The outcome of their actual utilisation may be different. The carrying value of deferred tax assets relating to recognised deductible temporary differences and unused tax losses, after considering the offset with deferred tax liabilities, at 31 December 2023 was US$16,506,000 (2022: US$15,045,000). The amount of unrecognised deferred tax assets as at 31 December 2023 and 2022 was US$1,705,386,000 and US$1,233,416,000, respectively. More details are given in Note 31 to the financial statements.

Net realisable value of inventories and contract costs

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in market conditions. Management reassesses these estimates at each reporting date. At 31 December 2023, the net carrying value of inventories was US$53,346,000 (2022: US$59,935,000), and the net carrying value of contract costs was US$17,880,000 (2022: US$16,490,000). More details are given in Note 20 and Note 21 to the financial statements.

Share-based compensation

The fair value of share options granted by the Group is estimated using valuation techniques, including the binomial model and the Black-Scholes model. The use of these valuation models require management to make certain assumptions with respect to selected model inputs. Management estimates expected volatility based on the historical volatility of the stock of comparable companies. Expiration date is the basis for determining the expected life of an option. The risk-free interest rate is based on treasury yield curve rates with a remaining term which approximates to the expected life assumed at the date of grant. Changes in these input variables would affect the amount of expense associated with share-based compensation. The compensation expense recognised for all share-based awards is net of estimated forfeitures. The Group estimates forfeiture rates based on historical analysis of option forfeitures. If actual forfeitures vary from estimated forfeitures, adjustments to compensation expense may be required. For the year ended 31 December 2023, the equity-settled share-based compensation expense was US$63,462,000 (2022: US$65,154,000).

Fair value of convertible redeemable preferred shares

For convertible redeemable preferred shares designated by the Group as financial liabilities at fair value through profile or loss, the fair value is determined by using the valuation techniques, including the discounted cash flow method and the back-solve method. Such valuation requires the Group to make estimates of the key assumptions including the risk-free interest rate, discount for lack of marketability ("**DLOM**") and volatility, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 42 to the financial statement.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(a) The life-science services and products unit provide comprehensive research services and products, which are widely used and are fundamental to life-science research and application;

(b) The biologics development services unit provides comprehensive services aimed to help biopharmaceutical and biotech companies accelerate the development of therapeutic antibodies, and gene/cell therapy products with an integrated platform;

(c) The industrial synthetic biology products unit provides industrial enzyme development and production through non-pathogenic microbial strains constructed using genetic engineering;

(d) The cell therapy unit discovers and develops innovative CAR-T therapies for the treatment of liquid and solid tumors;

(e) The operation unit mainly provides shared services to other segments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax.

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the chief operating decision maker for review.

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4. OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 December 2023	Life-science services and products US$'000	Biologics development services US$'000	Industrial synthetic biology products US$'000	Cell therapy US$'000	Operation unit US$'000	Eliminations US$'000	Total US$'000
Segment revenue (Note 5)							
Sales to external customers	404,518	106,677	42,892	284,964	478	—	839,529
Intersegment sales	8,394	2,813	159	179	52,675	(64,220)	—
Total revenue	412,912	109,490	43,051	285,143	53,153	(64,220)	839,529
Segment cost of sales	(190,328)	(85,524)	(26,497)	(144,214)	(44,581)	61,168	(429,976)
Segment gross profit	222,584	23,966	16,554	140,929	8,572	(3,052)	409,553
Other income and gains	3	16,754	1,555	58,126	18,313	(5,175)	89,576
Selling and distribution expenses	(59,578)	(12,607)	(4,879)	(94,158)	(3,272)	196	(174,298)
Administrative expenses	(49,362)	(27,871)	(5,112)	(106,769)	(24,524)	197	(213,441)
Research and development expenses	(39,283)	(6,129)	(4,815)	(382,218)	(3,018)	2,636	(432,827)
Fair value gains/(losses) of preferred shares and warrants	—	144,823	—	(85,750)	—	(15,616)	43,457
Other expenses	(103)	(763)	(1,210)	(28,484)	(19,257)	20,765	(29,052)
Finance costs	—	(3,268)	(1,254)	(21,794)	(1,960)	766	(27,510)
Provision for impairment of long-term assets	(11,659)	—	—	—	—	—	(11,659)
(Provision for)/reversal of impairment of financial assets, net	(1,285)	(3,405)	297	—	(385)	—	(4,778)
Profit/(loss) before tax	61,317	131,500	1,136	(520,118)	(25,531)	717	(350,979)

4. OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 December 2022	Life-science services and products US$'000	Biologics development services US$'000	Industrial synthetic biology products US$'000	Cell therapy US$'000	Operation unit US$'000	Eliminations US$'000	Total US$'000
Segment revenue (Note 5)							
Sales to external customers	349,803	120,155	38,227	116,677	836	—	625,698
Intersegment sales	10,737	4,854	437	328	55,284	(71,640)	—
Total revenue	360,540	125,009	38,664	117,005	56,120	(71,640)	625,698
Segment cost of sales	(162,207)	(90,361)	(22,055)	(65,363)	(47,606)	65,977	(321,615)
Segment gross profit	198,333	34,648	16,609	51,642	8,514	(5,663)	304,083
Other income and gains	1,364	5,519	1,291	12,049	12,472	(7,590)	25,105
Selling and distribution expenses	(54,359)	(15,321)	(3,559)	(93,417)	(1,935)	242	(168,349)
Administrative expenses	(47,836)	(24,929)	(5,464)	(80,631)	(25,736)	2,134	(182,462)
Research and development expenses	(42,524)	(7,854)	(4,768)	(335,648)	(3,377)	4,075	(390,096)
Fair value gains/(losses) of preferred shares and warrants	—	2,229	—	20,900	—	(4,360)	18,769
Other expenses	(190)	(47)	(49)	(9,823)	(14,257)	11,524	(12,842)
Finance costs	—	(1,959)	(22)	(10,796)	(1,334)	842	(13,269)
Provision for impairment of long-term assets	(11,477)	—	—	—	—	—	(11,477)
Provision for impairment of financial assets, net	(502)	—	(422)	—	(228)	—	(1,152)
Profit/(loss) before tax	42,809	(7,714)	3,616	(445,724)	(25,881)	1,204	(431,690)

Notes to Financial Statements

31 December 2023

4. OPERATING SEGMENT INFORMATION (Continued)

Geographic information

(a) Revenue from external customers and a collaborator

	2023 US$'000	2022 US$'000
The United States of America	505,952	332,097
Mainland China	162,542	166,750
Europe	99,519	53,284
Asia Pacific (excluding Mainland China)	53,234	59,012
Others	18,282	14,555
Total	839,529	625,698

The revenue information above is based on the locations of the customers and collaborator.

(b) Non-current assets

	2023 US$'000	2022 US$'000
Mainland China	551,702	534,905
The United States of America	246,967	146,323
Others	148,900	73,503
Total	947,569	754,731

The non-current asset information above is based on the locations of assets and excludes deferred tax assets and financial instruments.

Information about a major customer

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenues during the year ended 31 December 2023 (2022: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 US$'000	2022 US$'000
Revenue from contracts with customers	589,122	558,073
Revenue from contracts with a collaborator	249,804	66,677
Revenue from other sources:		
Gross rental income from operating leases	425	419
Others	178	529
	839,529	625,698

Revenue from contracts with customers and a collaborator

(a) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Life-science services and products US$'000	Biologics development services US$'000	Industrial synthetic biology products US$'000	Cell therapy US$'000	Total US$'000
Types of goods or services					
Rendering of services and sales of products	401,518	103,825	42,769	—	548,112
License and collaboration revenue	3,000	2,850	—	284,964	290,814
Total revenue from contracts with customers and a collaborator	404,518	106,675	42,769	284,964	838,926
Timing of revenue recognition					
Goods and services transferred at a point in time	401,518	103,825	42,769	—	548,112
Licenses recognised at a point in time	3,000	2,850	—	35,160	41,010
Collaboration revenue at a point in time	—	—	—	249,804	249,804
Total revenue from contracts with customers and a collaborator	404,518	106,675	42,769	284,964	838,926

Notes to Financial Statements

31 December 2023

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers and a collaborator (Continued)

(a) Disaggregated revenue information (Continued)

For the year ended 31 December 2022

Segments	Life-science services and products US$'000	Biologics development services US$'000	Industrial synthetic biology products US$'000	Cell therapy US$'000	Total US$'000
Types of goods or services					
Rendering of services and sales of products	349,803	118,803	35,887	—	504,493
License and collaboration revenue	—	1,352	2,228	116,677	120,257
Total revenue from contracts with customers and a collaborator	349,803	120,155	38,115	116,677	624,750
Timing of revenue recognition					
Goods and services transferred at a point in time	349,803	118,803	35,887	—	504,493
Licenses recognised at a point in time	—	1,352	2,228	50,000	53,580
Collaboration revenue at a point in time	—	—	—	66,677	66,677
Total revenue from contracts with customers and a collaborator	349,803	120,155	38,115	116,677	624,750

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023 US$'000	2022 US$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of services and sales of products	41,675	34,733

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers and a collaborator (Continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised in Note 2.4.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and 2022 are as follows:

	2023 US$'000	2022 US$'000
Amounts expected to be recognised as revenue:		
Within one year	97,437	41,675
More than one year	47,962	2,010
	145,399	43,685

Other income and gains

	2023 US$'000	2022 US$'000
Other income		
Finance income	73,186	13,218
Subsidies	11,943	9,068
Others	245	88
	85,374	22,374
Gains		
Fair value gains on financial assets at fair value through profit or loss, net	2,425	—
Others	1,777	2,731
	4,202	2,731
	89,576	25,105

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2023 US$'000	2022 US$'000
Cost of services and products		**213,555**	139,052
Depreciation of property, plant and equipment	13	**54,836**	46,637
Depreciation of investment properties	14	**100**	90
Depreciation of right-of-use assets	15	**14,580**	12,104
Amortisation of other intangible assets	17	**4,530**	5,417
Impairment of financial assets, net:			
Provision for impairment of trade receivables and other receivables	22	**4,778**	1,152
Provision for impairment of long-term assets		**11,659**	11,477
Lease payments not included in the measurement of lease liabilities	15	**4,401**	3,358
Provision for inventories to net realisable value		**10,546**	4,087
Provision for contract costs to net realisable value		**2,056**	—
Share of losses of associates		**1,384**	27
Auditors' remuneration		**749**	1,492
Employee benefit expenses (including directors' and chief executives' remuneration):			
Wages and salaries		**424,756**	354,317
Pension scheme contributions (defined contribution schemes)		**25,082**	20,500
Equity-settled share-based compensation expense		**63,462**	65,154
Less: Amount capitalised		**(2,871)**	—
		510,429	439,971
Foreign exchange differences, net		**25,684**	3,896
Loss on disposal of property, plant and equipment and other intangible assets		**691**	772
Service fee and other cost for equity financing activities		**3,618**	2,914
Fair value gains of preferred shares and warrants	29	**(43,457)**	(18,769)
Gains on wealth management products		**(11,811)**	(2,593)
Losses of foreign currency forward and option contracts, net		**4,366**	8,191
Fair value losses of other non-current financial assets		**628**	1,409

7. FINANCE COSTS

	2023 US$'000	2022 US$'000
Interest on collaboration interest-bearing funding advances	**20,400**	10,269
Interest on financial liabilities measured at amortised cost	**3,443**	1,103
Interest on lease liabilities	**2,683**	1,632
Interest on bank loans	**999**	265
Less: Interest capitalised	**(15)**	—
Total	**27,510**	13,269

8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION

Directors' and chief executives' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 US$'000	2022 US$'000
Fee	**276**	276
Other emoluments:		
Salaries, allowances and benefits in kind	**2,158**	1,670
Performance related bonuses	**305**	678
Equity-settled share-based compensation expense	**5,115**	2,128
Pension scheme contributions	**53**	17
Subtotal	**7,631**	4,493
Total	**7,907**	4,769

For the years ended 31 December 2023 and 2022, the Group granted restricted stock shares to certain directors in respect of their services to the Group, under the restricted stock shares scheme of the Group, further details of which are set out in Note 34 to the financial statements. The fair value of such restricted stock shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executives' remuneration disclosures.

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8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 US$'000	2022 US$'000
Mr. Guo Hongxin	46	46
Mr. Dai Zumian	46	46
Mr. Pan Jiuan	46	46
Dr. Wang Xuehai	46	46
Total	184	184

The equity-settled share-based compensation expense of independent non-executive directors during the year was as follows:

	2023 US$'000	2022 US$'000
Mr. Guo Hongxin	—	49
Mr. Dai Zumian	—	59
Mr. Pan Jiuan	—	78
Dr. Wang Xuehai	13	74
Total	13	260

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executives

	Fees US$'000	Salaries Allowances and benefits in kind* US$'000	Performance Related Bonuses US$'000	Equity-settled share-based compensation expense US$'000	Pension Scheme Contributions US$'000	Total remuneration US$'000
2023						
Executive directors:						
Dr. Zhang Fangliang	–	428	86	–	17	531
Mr. Meng Jiange	–	330	70	88	7	495
Ms. Wang Ye	–	510	99	35	15	659
Dr. Zhu Li	–	203	44	73	–	320
Subtotal	–	1,471	299	196	39	2,005
Non-executive directors:						
Mr. Pan Yuexin	46	–	–	–	–	46
Ms. Wang Jiafen	46	–	–	–	–	46
Dr. Wang Luquan	–	–	–	–	–	–
Subtotal	92	–	–	–	–	92
Chief executives:						
Ms. Shao Weihui (On duty from January 2023)	–	353	6	2,111	7	2,477
Dr. Liu Zhenyu (On duty till 31 December 2022)**	–	334	–	2,795	7	3,136
Subtotal	–	687	6	4,906	14	5,613
Total	92	2,158	305	5,102	53	7,710

	Fees US$'000	Salaries Allowances and benefits in kind* US$'000	Performance Related Bonuses US$'000	Equity-settled share-based compensation expense US$'000	Pension Scheme Contributions US$'000	Total remuneration US$'000
2022						
Executive directors:						
Dr. Zhang Fangliang	—	258	8	—	5	271
Mr. Meng Jiange	—	521	172	375	—	1,068
Ms. Wang Ye	—	299	156	154	6	615
Dr. Zhu Li	—	197	83	249	—	529
Subtotal	—	1,275	419	778	11	2,483
Non-executive directors:						
Mr. Pan Yuexin	46	—	—	18	—	64
Ms. Wang Jiafen	46	—	—	5	—	51
Dr. Wang Luquan	—	—	—	—	—	—
Subtotal	92	—	—	23	—	115
Chief executive:						
Dr. Liu Zhenyu (On duty till 31 December 2022)**	—	395	259	1,067	6	1,727
Total	92	1,670	678	1,868	17	4,325

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31 December 2023

8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executives (Continued)

* The benefits in kind include contributions made for directors' social security in the United States of America and other commercial insurance paid by the Group.

** Dr. Liu Zhenyu completed his term of duty on December 31, 2022 and still remains as a rotating chief executive officer of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2023 (2022: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included no director (2022: Nil) and no chief executive (2022: 1). Details of the remuneration for the year of the five (2022: four) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2023 US$'000	2022 US$'000
Salaries, allowances and benefits in kind	2,927	2,279
Performance related bonuses	1,429	921
Equity-settled share-based compensation expense	11,780	8,397
Pension scheme contributions	44	6
Total	16,180	11,603

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HK$7,000,001 to HK$8,000,000	1	—
HK$9,000,001 to HK$10,000,000	1	1
HK$11,000,001 to HK$12,000,000	1	—
HK$12,000,001 to HK$13,000,000	—	1
HK$33,000,001 to HK$34,000,000	—	1
HK$34,000,001 to HK$35,000,000	—	1
HK$47,000,001 to HK$48,000,000	1	—
HK$50,000,001 to HK$51,000,000	1	—
Total	5	4

10. INCOME TAX

The Company is subject to income tax on an entity basis on profits arising in or derived from jurisdictions in which the Company or its subsidiaries are domiciled and operate.

Cayman and British Virgin Islands

Pursuant to the rules and regulations of Cayman and the British Virgin Islands, the Group was not subject to any income tax in Cayman and the British Virgin Islands. The Company is subject to withholding tax on interest income from Mainland China.

United States of America

The subsidiaries of the Group operating in the United States of America were subject to federal tax at a rate of 21% (2022: 21%) and state tax at an average rate of 0.75% to 9.99% (2022: 4.9% to 11.5%) during the reporting period.

Ireland

The subsidiary of the Group operating in Ireland was subject to income tax at a rate of 12.5% (2022:12.5%) on the taxable trading income during the reporting period. Any non-trading income is subject to income tax at a rate of 25% (2022: 25%). Dividend withholding tax is imposed on distributions made by Irish companies at a rate of 25%(2022: 25%) with many exemptions provided.

Singapore

The subsidiary of the Group operating in Singapore was subject to income tax at the rate of 17% (2022: 5%) on the estimated assessable profits arising from qualifying activities in Singapore during the year. Any non-qualifying income is subject to income tax at a rate of 17% (2022: 17%).

Netherlands

The subsidiary of the Group operating in the Netherlands depends on the taxable amount. The first EUR200,000 (2022: EUR245,000) of taxable amount was taxed at 19% (2022:15%), and remaining taxable amount was taxes at 25.8% (2022: 25%).

Greater China

The provision for China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in China which are granted tax concession and are taxed at preferential tax rates.

Jinan Bestzyme is qualified as High and New Technology Enterprises. It was subject to income tax at a preferential tax rate of 15% (2022: 15%) for the reporting period.

Jiangsu GenScript is qualified as High and New Technology Enterprises, and Advanced Technology Service Enterprises. It was subject to income tax at a preferential tax rate of 15% (2022: 15%) for the reporting period.

Nanjing GenScript is qualified as High and New Technology Enterprises. It was subject to income tax at a preferential tax rate of 15% (2022: 25%) for the reporting period.

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10. INCOME TAX (Continued)

	2023 US$'000	2022 US$'000
Current — Mainland China	**4,881**	3,618
Current — the U.S.	**5,886**	416
Current — Others	**(2,775)**	1,744
Deferred (Note 31)	**(3,850)**	(9,497)
Total tax charge/(credit) for the year	**4,142**	(3,719)

A reconciliation of the tax charge/(credit) applicable to loss before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates is as follows:

	2023 US$'000	2022 US$'000
Loss before tax	**(350,979)**	(431,690)
Tax at the statuary rate of 25%	**(87,745)**	(107,922)
Effect of tax rate differences in other countries and regions	**14,598**	(998)
Tax losses utilised from previous years	**(718)**	(6,982)
Preferential income tax rates applicable to subsidiaries	**(11,715)**	(403)
Effect on deferred tax of change in rates	**19,711**	(1,335)
Additional deductible allowance for research and development expenses	**(13,028)**	(32,648)
Effect of non-deductible expenses	**3,637**	9,940
Tax losses and deductible temporary differences not recognised	**86,491**	142,148
Adjustments in respect of current tax of previous periods	**(44)**	(215)
Option income tax benefit	**(7,589)**	(5,982)
Effect of withholding tax on interest income	**1,664**	—
Others	**(1,120)**	678
Total tax charge/(credit) for the year	**4,142**	(3,719)

11. DIVIDENDS

At the date of the approval of these financial statements, the board of directors resolved not to declare any dividend for the year ended 31 December 2023 (2022: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,109,365,328 (2022: 2,097,134,700) in issue and fully paid during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The calculations of basic and diluted loss per share are based on:

	2023 US$'000	2022 US$'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(95,477)**	(226,851)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year	**2,115,102,955**	2,104,127,410
Effect of shares repurchased	**(5,737,627)**	(6,992,710)
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**2,109,365,328**	2,097,134,700

The diluted loss per share is the same as the basic loss per share because the effect of share options and restricted share units were anti-dilutive for the year ended 31 December 2023 and 2022. For the year ended 31 December 2023, the weighted average number of dilution effect of share options and restricted share units was 93,107,379 (2022: 91,675,566).

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13. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements US$'000	Machinery and equipment US$'000	Transportation equipment US$'000	Computer and office equipment US$'000	Construction In progress US$'000	Total US$'000
At 1 January 2023						
Cost	265,520	238,653	959	17,585	142,061	664,778
Accumulated depreciation	(38,533)	(91,509)	(491)	(12,678)	—	(143,211)
Net carrying amount	226,987	147,144	468	4,907	142,061	521,567
At 1 January 2023, net of accumulated depreciation	226,987	147,144	468	4,907	142,061	521,567
Additions	2,478	6,707	—	673	141,682	151,540
Disposals	(87)	(177)	(14)	(581)	(6)	(865)
Depreciation provided during the year	(18,282)	(33,992)	(80)	(2,482)	—	(54,836)
Impairment	—	(2,947)	—	—	(1,360)	(4,307)
Transfers	85,105	62,447	89	2,505	(150,146)	—
Exchange realignment	(1,798)	(1,127)	(8)	(63)	(1,996)	(4,992)
At 31 December 2023, net of accumulated depreciation and impairment	294,403	178,055	455	4,959	130,235	608,107
At 31 December 2023						
At Cost	350,488	302,966	1,018	15,639	131,595	801,706
Accumulated depreciation and impairment	(56,085)	(124,911)	(563)	(10,680)	(1,360)	(193,599)
Net carrying amount	294,403	178,055	455	4,959	130,235	608,107

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land, buildings and leasehold improvements US$'000	Machinery and equipment US$'000	Transportation equipment US$'000	Computer and office equipment US$'000	Construction In progress US$'000	Total US$'000
31 December 2022						
At 1 January 2022 (Restated)						
Cost	188,579	207,975	855	15,946	91,224	504,579
Accumulated depreciation	(25,577)	(70,751)	(456)	(11,128)	—	(107,912)
Net carrying amount	163,002	137,224	399	4,818	91,224	396,667
At 1 January 2022, net of accumulated depreciation (Restated)	163,002	137,224	399	4,818	91,224	396,667
Additions	12,557	998	—	394	184,500	198,449
Disposals	—	(821)	—	(283)	—	(1,104)
Depreciation provided during the year	(14,559)	(29,224)	(76)	(2,778)	—	(46,637)
Transfers	77,511	48,576	173	3,045	(129,305)	—
Exchange realignment	(11,524)	(9,609)	(28)	(289)	(4,358)	(25,808)
At 31 December 2022, net of accumulated depreciation	226,987	147,144	468	4,907	142,061	521,567
At 31 December 2022						
Cost	265,520	238,653	959	17,585	142,061	664,778
Accumulated depreciation	(38,533)	(91,509)	(491)	(12,678)	—	(143,211)
Net carrying amount	226,987	147,144	468	4,907	142,061	521,567

As at 31 December 2023, property with a net book value of US$2,895,000 (2022: US$2,168,000) were pledged for interest-bearing bank loan as set out in Note 27 to the financial statements.

As at 31 December 2023, properties amounting to approximately US$33,370,000 (2022: US$34,869,000) were pledged to the Series B Preferred Shareholder of Probio Cayman to secure the redemption right held by such preferred shareholder. More details are given in Note 30 to the financial statements.

As at 31 December 2023, the management of the Group identified impairment indicators for certain property, plant and equipment belonging to the life-science segment, and recognised an impairment amount of US$4,307,000 (2022: Nil).

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14. INVESTMENT PROPERTIES

	2023 US$'000	2022 US$'000
Carrying amount at 1 January	6,833	6,882
Depreciation provided during the year	(100)	(90)
Exchange realignment	(1,291)	41
Carrying amount at 31 December	5,442	6,833

As at 31 December 2023, the Group's investment properties are located in Japan with estimated useful lives of 22 years and a carrying amount of US$5,442,000 (2022: US$6,833,000) were pledged as collateral for the Group's interest-bearing loans and borrowings as set out in Note 27 to the financial statements.

The investment properties are leased to third parties under operating leases, further details of which are included in Note 5 to the financial statements.

As at 31 December 2023, the Group's investment properties were valued at US$5,576,000 (2022: US$6,913,000) based on valuation performed by an independent professionally qualified valuer.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant Observable Inputs (Level 2) US$'000	Significant Unobservable Inputs (Level 3) US$'000	Total US$'000
Recurring fair value measurement for:				
Investment properties	—	—	5,576	5,576

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant Observable Inputs (Level 2) US$'000	Significant Unobservable Inputs (Level 3) US$'000	Total US$'000
Recurring fair value measurement for:				
Investment properties	—	—	6,913	6,913

During the year ended 31 December 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for investment properties (2022: Nil).

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

15. LEASES

The Group as a lessee

The Group has lease contracts for leasehold land,buildings and office promises. Leases of buildings and office premises generally have lease terms between 2 and 50 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

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15. LEASES (Continued)

The Group as a lessee (Continued)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land US$'000	Buildings and office premises (note) US$'000	Total US$'000
As at 1 January 2022 (Restated)	25,106	65,138	90,244
Additions	5,066	29,041	34,107
Depreciation	(536)	(11,568)	(12,104)
Disposal	(4,696)	(1,743)	(6,439)
Exchange realignment	(2,293)	(410)	(2,703)
As at 31 December 2022 and 1 January 2023	**22,647**	**80,458**	**103,105**
Additions	**—**	**33,548**	**33,548**
Depreciation	**(510)**	**(14,070)**	**(14,580)**
Disposal	**—**	**(1,797)**	**(1,797)**
Exchange realignment	**(369)**	**713**	**344**
As at 31 December 2023	**21,768**	**98,852**	**120,620**

As at 31 December 2023, collaboration assets with carrying amount of US$72,689,000 (2022: US$46,346,000) were leased by the Group under the Janssen Agreement.

As at December 31, 2023, the leasehold land amount of approximately US$5,036,000 (2022: Nil) were pledged for interest-bearing loans of a subsidiary.

15. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 US$'000	2022 US$'000
Carrying amount at 1 January	**55,112**	34,859
New leases	**28,148**	29,283
Accretion of interest recognised during the year	**2,683**	1,632
Payments	**(12,137)**	(8,557)
Disposal	**(1,879)**	(1,338)
Exchange realignment	**845**	(767)
Carrying amount at 31 December	**72,772**	55,112
Analysed into:		
Current portion	**8,867**	11,104
Non-current portion	**63,905**	44,008
	72,772	55,112

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 US$'000	2022 US$'000
Interest on lease liabilities	**2,683**	1,632
Depreciation charge of right-of-use assets	**14,580**	12,104
Expense relating to short-term leases and leases of low-value assets	**4,401**	3,358
Total amount recognised in profit or loss	**21,664**	17,094

15. LEASES (Continued)

The Group as a lessor

The Group leases its investment property in Japan (Note 14), car parking space in Ireland, buildings in Mainland China related to collaboration, and several equipment in Mainland China under operating lease arrangements. Rental income recognised by the Group during the year was US$425,000 (2022: US$419,000), details of which are included in Note 5 to the financial statements.

The Group, through Legend, leases assets it owns to the collaboration in accordance with the Janssen Agreement. Legend recognised an insignificant amount of finance income during the year ended 31 December 2023 and 2022.

At 31 December 2023, the undiscounted minimum lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 **US$'000**	2022 US$'000
Within one year	**1,928**	809

16. GOODWILL

	2023 **US$'000**	2022 US$'000
Cost and net carrying amount at 1 January	**2,547**	14,151
Impairment	**(1,168)**	(11,477)
Exchange realignment	**(23)**	(127)
Net carrying amount at 31 December	**1,356**	2,547
Cost	**14,001**	14,024
Accumulated impairment	**(12,645)**	(11,477)
Net carrying amount at 31 December	**1,356**	2,547

16. GOODWILL (Continued)

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

(a) CustomArray (the "CA")

	2023 US$'000	2022 US$'000
Carrying amount of goodwill, net of impairment	–	1,168

The recoverable amount of the CA cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 23.5% (2022: 23%). The growth rate used to extrapolate the cash flows of the life-science services and products unit beyond the five-year period is 0% (2022: 0%), which is the same as the long-term growth rate of the industry.

During the year ended 31 December 2023, the Group recognised an impairment loss of US$1,168,000 in relation to the CA goodwill (2022: US$11,477,000), which was resulted from the changes of market condition and the Group's development strategy for CA business.

At 31 December 2023, in the opinion of the Company's directors, an increase/decrease in the discount rate by 1% would cause the recoverable amount of the cash-generating unit to decrease/increase by US$242,000 and US$263,000, respectively.

(b) Jinan Bestzyme

	2023 US$'000	2022 US$'000
Carrying amount of goodwill	1,356	1,379

The recoverable amount of the industrial synthetic biology products cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15% (2022: 15%). The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 2.3% (2022: 2.3%), which is the same as the long-term growth rate of the industry.

At 31 December 2023 and 2022, based on the result of the goodwill impairment testing, the recoverable amount of the cash-generating unit exceeded its carrying amount. Thus, in the opinion of the Company's directors, no impairment was provided as at 31 December 2023 and 2022, and the directors of the Company believe that any reasonably possible change in any of the key assumptions would not cause the carrying amount to be less than its recoverable amount considering that there was sufficient headroom based on the impairment testing.

16. GOODWILL (Continued)

Assumptions were used in the value in use calculation of the CA unit and Jinan Bestzyme unit for 31 December 2023 and 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

17. OTHER INTANGIBLE ASSETS

	Software US$'000	Patents and licenses US$'000	Customer relationship US$'000	Total US$'000
31 December 2023				
Cost at 1 January 2023, net of accumulated amortization	4,161	19,581	69	23,811
Additions	6,085	—	—	6,085
Amortisation provided during the year	(2,193)	(2,322)	(15)	(4,530)
Impairment	—	(6,184)	—	(6,184)
Disposal	(61)	(167)	—	(228)
Exchange realignment	(270)	(18)	(18)	(306)
At 31 December 2023	7,722	10,890	36	18,648
At 31 December 2022:				
At Cost	16,078	27,120	158	43,356
Accumulated amortization and impairment	(8,354)	(16,232)	(122)	(24,708)
Net carrying amount	7,724	10,888	36	18,648

17. OTHER INTANGIBLE ASSETS (Continued)

	Software US$'000	Patents and licenses US$'000	Customer relationship US$'000	Total US$'000
31 December 2022				
Cost at 1 January 2022, net of accumulated amortization	5,530	20,806	87	26,423
Additions	2,347	1,216	—	3,563
Amortisation provided during the year	(3,065)	(2,337)	(15)	(5,417)
Disposal	(6)	—	—	(6)
Exchange realignment	(645)	(104)	(3)	(752)
At 31 December 2022	4,161	19,581	69	23,811
At 31 December 2022:				
Cost	10,676	29,803	158	40,637
Accumulated amortisation	(6,515)	(10,222)	(89)	(16,826)
Net carrying amount	4,161	19,581	69	23,811

During the year ended 31 December 2023, the Group recognised an aggregate impairment loss of US$6,184,000(2022: Nil), which was resulted from the changes of market condition and the Group's development strategy for CA business.

18. INVESTMENTS IN ASSOCIATES

	2023 US$'000	2022 US$'000
Share of net assets	**4,372**	4,372
Investment during the year	**12,339**	—
Recognised share losses during the year	**(1,384)**	—
Exchange alignment	**(36)**	—
Net carrying amount	**15,291**	4,372
Loans to an associate	**37**	37

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18. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2023 US$'000	2022 US$'000
Share of the associates' loss for the year	(1,384)	(27)
Share of the associates' total comprehensive loss	(1,384)	(27)
Aggregate carrying amount of the Group's investments in the associates	15,291	4,372

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 US$'000	2022 US$'000
Non-current		
Unlisted equity investments (note ii)	18,825	11,657
Investments in financial products (note i)	13,044	—
	31,869	11,657
Current		
Investments in financial products (note i)	105,282	210,819
Foreign currency forward and option contracts	342	—
Listed equity investments (note ii)	21	—
	105,645	210,819
	137,514	222,476

Notes:

(i) The balance represents the investments in wealth management products issued by reputable commercial banks or institutions in the PRC, Hong Kong, Netherlands, and the U.S., which were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(ii) The balance mainly represents the Group's investments in certain funds, listed and unlisted companies. These investments are not regarded as associates of the Group because the Group has no right to participate in the relevant activities of these limited partnerships.

20. INVENTORIES

	2023 US$'000	2022 US$'000
Raw materials	37,873	38,672
Work in progress	6,461	4,976
Finished goods	27,792	24,550
	72,126	68,198
Provision for inventories	(18,780)	(8,263)
Total	53,346	59,935

As at 31 December 2023, the collaboration inventories with net carrying amount of US$19,433,000 (2022: US$10,354,000) were relating to the collaboration cost with a collaborator.

21. CONTRACT COSTS

	2023 US$'000	2022 US$'000
Costs to fulfill contracts	19,927	16,490
Provision for contract costs	(2,047)	—
	17,880	16,490

22. TRADE AND NOTES RECEIVABLES

	2023 US$'000	2022 US$'000
Trade receivables	219,064	100,293
Notes receivable	6,346	7,157
	225,410	107,450
Impairment of trade receivables	(7,967)	(3,361)
	217,443	104,089

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22. TRADE AND NOTES RECEIVABLES (Continued)

The Group's trading terms with its customers are mainly on credit and the credit period granted by the Group is 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The Group's trade receivables are related to a large number of diversified customers except for one major customer, there is no significant concentration of credit risk. The Group's trade receivables are non-interest-bearing.

Amounts due from the Group's related party of US$18,000 (2022:US$112,000) are included in the Group's trade receivables, which are repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of the gross carrying amount of trade receivables as at the end of the year, based on the invoice date, is as follows:

	2023 US$'000	2022 US$'000
Within 3 months	**179,954**	80,595
3 to 6 months	**12,556**	10,397
6 to 12 months	**14,198**	6,179
Over 1 year	**12,356**	3,122
	219,064	100,293

Movements in the loss allowance for impairment of trade receivables were as follows:

	Total US$'000
At 1 January 2023	**3,361**
Impairment losses recognised	**5,193**
Impairment losses reversed	**(415)**
Amount written off as uncollectible	**(172)**
At 31 December 2023	**7,967**
At 1 January 2022	3,172
Impairment losses recognised	1,365
Impairment losses reversed	(75)
Amount written off as uncollectible	(1,101)
At 31 December 2022	3,361

22. TRADE AND NOTES RECEIVABLES (Continued)

The Group applies the simplified approach in calculating ECLs for trade receivables. As at December 31, 2023, the expected credit loss relating to one single customer under a license agreement amount of US$100,000,000 is insignificant. Certain trade receivables are assessed individually for impairment allowance.

The remaining trade receivables are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns by product and service type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	As at 31 December 2023		
	Gross carrying amount US$'000	Expected loss rate	Expected credit loss US$'000
Provision on an individual basis:	**134,830**	**4.00%**	**5,393**
Provision on a collective basis, aged:			
Less than 1 year	**80,077**	**1.04%**	**834**
Within 1 to 2 years	**3,881**	**38.24%**	**1,484**
Within 2 to 3 years	**96**	**79.17%**	**76**
Over 3 years	**180**	**100.00%**	**180**
	219,064		**7,967**

	As at 31 December 2022		
	Gross carrying amount US$'000	Expected loss rate	Expected credit loss US$'000
Provision on an individual basis:	1,007	100.00%	1,007
Provision on a collective basis, aged:			
Less than 1 year	96,959	1.26%	1,223
Within 1 to 2 years	1,987	43.28%	860
Within 2 to 3 years	317	78.23%	248
Over 3 years	23	100.00%	23
	100,293		3,361

22. TRADE AND NOTES RECEIVABLES (Continued)

The Group applies a simplified approach in calculating ECLs for trade receivables prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses have also incorporated forward-looking information.

The Group applies a general approach in calculating ECLs for notes receivable. All of the notes receivable are not past due and the Group classified such instruments as Stage 1 and measured ECLs on a 12-month basis. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECLs. For bank acceptance notes, as the relevant financial institutions have a high credit rating, the loss rate is expected to be minimal. For commercial acceptance notes, which were not yet past due, the loss rate is expected to be minimal as well.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 US$'000	2022 US$'000
Current		
Prepayments	18,558	24,196
Value-added tax recoverable	24,483	19,565
Prepaid expense	1,991	2,132
Tax refund	—	701
Prepaid income tax	471	842
Deposits	216	383
Loan to an associate	37	37
Lease receivables	1,388	188
Other receivables	56,210	45,894
	103,354	93,938
Impairment of other receivables	(34)	(34)
	103,320	93,904
Non-current		
Collaboration prepaid leases	151,216	65,276
Deposits	3,176	3,482
Prepaid expense	1,210	1,092
Lease receivables	285	395
	155,887	70,245

The Group applies a general approach in calculating ECLs for other receivables. Other receivables related to debtors that are in default are classified as Stage 1 without any significant increase in credit risk tracked since initial recognition. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

24. CASH AND BANK BALANCES

	Notes	2023 US$'000	2022 US$'000
Cash and bank balances		**1,893,724**	1,279,713
Less:			
Restricted cash	(a)	**33,072**	27,203
Non-pledged time deposits:			
Current portion		**376,002**	228,511
Non-current portion		**38,247**	—
Cash and cash equivalents	(b)	**1,446,403**	1,023,999

(a):

		2023 US$'000	2022 US$'000
Pledged for bills payable	i)	**23,053**	20,882
Pledged for the letter of guarantee		**9,662**	4,615
Pledged for credit cards' facilities		**357**	1,706
		33,072	27,203

i) The restricted cash as at 31 December 2023 was pledged for issuing the bank acceptance bills within the Group for the settlement of intra-group transactions, and to third party suppliers.

(b):

	2023 US$'000	2022 US$'000
Denominated in US$	**1,365,261**	832,056
Denominated in RMB	**65,335**	139,228
Denominated in EUR	**11,634**	39,666
Denominated in other currencies	**4,173**	13,049
Cash and cash equivalents	**1,446,403**	1,023,999

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24. CASH AND BANK BALANCES (Continued)

At 31 December 2023, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to US$65,336,000 (2022: US$139,228,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

25. TRADE AND BILLS PAYABLES

	2023 US$'000	2022 US$'000
Trade payables	39,097	54,310
Bills payable	862	1,445
	39,959	55,755

The trade payables are non-interest-bearing and are normally settled on turnover of 30 to 90 days. An ageing analysis of the trade payables as at the end of the year, based on the invoice date, is as follows:

	2023 US$'000	2022 US$'000
Within 3 months	36,059	50,260
3 to 6 months	996	2,431
6 to 12 months	1,516	854
Over 1 year	526	765
	39,097	54,310

26. OTHER PAYABLES AND ACCRUALS

	2023 US$'000	2022 US$'000
Current		
Accrued expenses	84,466	140,336
Accrued payroll and welfare	72,871	63,871
Payables for purchases of property, plant and equipment	71,489	53,117
Payable for collaboration assets	16,338	22,852
Other tax payables	7,437	5,822
Subsidies(note)	1,141	2,652
Other payables	19,663	14,711
	273,405	303,361
Non-current		
Subsidies (note)	16,716	16,167
Others	1,211	313
	17,927	16,480

Note:

The subsidies received from the local government authorities for the purpose of compensation for the expenditure on certain facilities were credited to a deferred income account. The grants were released to profit or loss over the expected useful lives of the relevant assets.

The Group also received certain financial subsidies from the local government authorities to support local business. There were no unfulfilled conditions or other contingencies attached to these government subsidies. These government subsidies of US$10,054,000 (2022: US$7,985,000) were recognised in profit or loss upon receipt.

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27. INTEREST-BEARING LOANS AND BORROWINGS

	Note	2023 Effective interest rate (%)	2023 Maturity	2023 US$'000	2022 Effective interest rate (%)	2022 Maturity	2022 US$'000
Current							
Bank loans — unsecured		2.4–2.6	2024	23,155	2.5–2.6	2023	12,348
Bank loans — secured	(a)	1.1–1.7	2024	33,785	1.3–1.4	2023	20,882
Current portion of long term bank loans — secured	(b)	0.33	2024	71	0.33	2023	451
				57,011			33,681
Non-current							
Other borrowings — unsecured	(c)	8.07	No specific	281,328	7.98	No specific	260,932
Non-current portion of long term bank loans — secured	(d)	4.20	2026	5,879	0.33	2024	74
				287,207			261,006

	2023 US$'000	2022 US$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	57,011	33,681
In the second year	—	74
In the third to fifth years, inclusive	5,879	—
Other borrowings repayable:		
No agreed repayment period	281,328	260,932
	344,218	294,687

27. INTEREST-BEARING LOANS AND BORROWINGS (Continued)

As at 31 December 2023, the Group's total bank facilities amounted to US$417,456,000 (2022: US$161,536,000), of which US$43,518,000 (2022: US$16,603,000) had been utilised by the Group.

(a) Bank loans amounting to US$33,785,000 (2022: US$20,882,000) were derived from discounting bank acceptance bills issued within the Group, which were secured by deposits with a carrying value of US$22,952,000 (2022: US$20,882,000).

(b) Certain of the Group's bank loans were secured by the land and buildings and investment properties with an aggregate book value of approximately US$8,337,000 (2022: US$9,001,000). The effective interest rate bank loan was based on the TIBOR+0.25% (2022: TIBOR+0.25%), and the average effective interest rate for the period was calculated as 0.33% (2022: 0.33%).

(c) Certain of the Group's bank loans were secured by the land with a book value of approximately US$5,036,000. The effective interest rate bank loan was based on the LPR, and the average effective interest rate for the period was calculated as 4.20%.

(d) Pursuant to the Janssen Agreement, Legend is entitled to receive funding advances from the collaborator when certain operational conditions are met. As a result, Legend took an initial funding advance with principal amounting to US$17,300,000 on 18 June 2021, a second funding advance with principal amounting to US$53,100,000 on 17 September 2021, a third funding advance with principal amounting to US$49,300,000 on 17 December 2021, a forth funding advance with principal amounting to US$5,300,000 on 18 March 2022, a fifth funding advance with principal amounting to US$60,900,000 on 17 June 2022, a sixth funding advance with principal amounting to US$60,500,000 on 16 September 2022, and a seventh funding advance with principal amounting to US$3,600,000 on 16 December 2022, by reducing the same amount of other payables due to the collaborator, respectively (collectively, the "**Funding Advances**").

These Funding Advances are accounted for as interest-bearing borrowings funded by the collaborator, constituted by a principal amounting to US$250,000,000 and applicable interests accrued amounting to US$31,300,000 upon such principal. The respective interest rate of each borrowing has transitioned from London Interbank Offered Rate ("**LIBOR**") to Secured Overnight Financing Rate ("**SOFR**") in accordance with the LIBOR ACT. Thus, outstanding advances accrue interest at 12-month CME term SOFR plus LIBOR/SOFR adjustment (12-month) plus a margin of 2.5%. For each of the seven batches of funding advances, interest started to accrue from 18 June 2021, 17 September 2021, 17 December 2021, 18 March 2022, 17 June 2022, 16 September 2022, and 16 December 2022, respectively.

Pursuant to the terms of the Janssen Agreement, the collaborator may recoup the aggregate amount of Funding Advances together with interest thereon from Legend's share of pre-tax profits from the first profitable year of the collaboration program and, subject to some limitations, from milestone payments due to the Legend under the Janssen Agreement. The management estimated the loan will not be recouped by the collaborator within one year, nor does Legend expect to repay the funding advances within one year, and thus the loan was classified as a long-term liability.

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28. CONTRACT LIABILITIES

	2023 US$'000	2022 US$'000
Non-current		
Rendering of services and sales of products (note)	47,962	—
License and collaboration revenue	—	2,010
	47,962	2,010
Current		
Rendering of services and sales of products (note)	97,437	41,675
	97,437	41,675

Note:

On 11 November 2023, Legend Ireland entered into an exclusive, global license agreement with Novartis Pharma AG ("**Novartis**") and granted Novartis the rights to develop, manufacture and commercialize LB2102 and other potential chimeric antigen receptor T-cell (CAR-T) therapies selectively targeting Delta-like Ligand 3 (DLL3) ("**Novartis License Agreement**"). The Novartis License Agreement was effective on 28 December 2023, with a US$100,000,000 receivable recorded, representing the Novartis upfront payment to be received shortly after 31 December 2023 and Novartis has agreed to pay up to US$1,010,000,000 in milestone payments, as well as tiered royalties on net sales.

As at 31 December 2023, Legend presented current and non-current portion of contract liabilities of US$53,010,000 (2022: nil) and US$47,962,000 (2022: nil) in accordance with the allocation of transaction prices to each performance obligation, and the amount and timing of the revenues that are expected to be summarized from each performance obligation under the Novartis License Agreement.

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2023 US$'000	2022 US$'000
Current			
Legend Warrant	(a)	–	67,000
Probio Warrant	(b)	–	15,899
Foreign currency forward contracts		–	1,350
		–	84,249
Non-current			
Probio Series A Preferred Shares	(c)	159,810	269,460
Probio Series C Preferred Shares	(c)	190,341	—
		350,151	269,460
		350,151	353,709

(a) Legend Warrant

On 13 May 2021, Legend entered into a subscription agreement with an institutional investor (the "**PIPE Investor**") relating to the offer and sale of 20,809,850 ordinary shares of Legend, par value US$0.0001 per share, in a private placement at a purchase price of US$14.41625 per ordinary share of Legend (the "**PIPE Offering**"). The total proceeds from the PIPE Offering is US$300,000,000. Pursuant to the subscription agreement, Legend also agreed to issue and sell concurrently with the PIPE offering a warrant (the "**Legend Warrant**") exercisable for up to an aggregate of 10,000,000 ordinary shares of Legend (such transaction together with the PIPE Offering, the "**Legend Transactions**"). The Legend Transactions were completed on 21 May 2021 (the "**Closing Date**").

The Legend Warrant will be exercisable, in whole or in part, at an exercise price of US$20.00 per ordinary share of Legend, at any time prior to the two-year anniversary of the Closing Date. The Legend Warrant is accounted for as a financial liability because the Legend Warrant may be net share settleable at the holder's option.

On 11 May 2023, the PIPE Investor exercised the Warrant in full for an aggregate exercise price of US$200,000,000, and, as a result, the Legend issued 10,000,000 ordinary shares to the PIPE Investor.

During the year ended 31 December 2023, Legend recorded a fair value loss of US$85,750,000 (2022: fair value gain of US$20,900,000).

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(b) Probio Warrant

On 18 August 2021, Probio Cayman (The "**Probio**") entered into an agreement with an institutional investor relating to the offer and sale of 300,000,000 series A convertible redeemable preferred shares of Probio Cayman ("**Probio Series A Preferred Shares**"), with a par value of US$0.00002 per share, at a purchase price of US$0.50 per preferred share for an aggregate purchase consideration of US$150,000,000. Pursuant to the agreement, the Probio Cayman also agreed to issue a warrant (the "**Probio Warrant**") exercisable for up to an aggregate of 189,393,939 ordinary shares of Probio Cayman (the Probio Series A Preferred Shares and Probio Warrant are collectively referred as "**Probio Series A Financing**"). The Probio Series A Financing was completed on 3 September 2021.

The Probio Warrant was recognised at a financial liability measured at fair value with changes through profit or loss and initial fair value of the Probio Warrant was assessed at US$851,000.

During the year ended 31 December 2023, a fair value gain of US$15,899,000 (2022: fair value gain of US$6,539,000) was recognised on the Probio Warrant.

(c) Probio Series A Preferred Shares and Probio Series C Preferred Shares

During the year ended 31 December 2021, Probio Cayman issued a total of 300,000,000 Series A Preferred Shares in its Series A Financing, together with the issuance of Probio Warrant in the Probio Series A Financing.

During the year ended 31 December 2023, Probio Cayman issued a total of 319,998,370 Series C preferred shares ("**Probio Series C Preferred Shares**") for an aggregate consideration of approximately US$224,000,000 ("**Probio Series C Financing**"), of which 42,857,000 Series C Preferred Shares were subscribed by the Company at consideration of US$30,000,000.

The key terms of the Probio Series A Preferred Shares and Probio Series C Preferred Shares was recognised as follows:

1) Dividends right

Each of the holders of Probio Series C Preferred Shares and Probio Series A Preferred Shares is entitled to receive non-cumulative dividends in preference to any dividend on the Probio Shares when, as and if declared by the board of directors of Probio Cayman, for each Series C Preferred Share and Series A Preferred Share held by such holder, at a rate of 8% per annum.

No non-cumulative dividends to holders of Probio Series A Preferred Shares will be paid unless and until the full payment of the non-cumulative dividends is made to holders of Probio Series C Preferred Shares.

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(c) Probio Series A Preferred Shares and Probio Series C Preferred Shares (Continued)

2) Conversion right

Probio Series A Preferred Shares and Probio Series C Preferred Shares shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such preferred shares into such number of fully paid and non-assessable ordinary shares as determined by dividing the issue price by the then effective conversion price of such series of preferred shares, in effect at the time of the conversion. The initial Series A conversion price shall be the Series A issue price (US$0.50 per Probio Series A Preferred Share) and the initial Series C conversion price shall be the Series C issue price (US$0.70 per Probio Series C Preferred Share), and such initial conversion price for Series A Preferred Shares and Series C Preferred Shares shall be subject to adjustments for certain further events, including but not limited to dilutive issuances, share splits, share combinations and etc.

Probio Series A Preferred Shares and Probio Series C Preferred Shares shall automatically be converted into the ordinary shares of Probio Cayman at then respective effective conversion price of such series of preferred shares upon the completion of a qualified IPO of Probio Cayman.

3) Redemption feature

Each eligible holder of Probio Series C Preferred Shares (excluding the Company in its capacity as the holder of Probio Series C Preferred Shares) shall be entitled to request Probio Cayman and the Company, jointly and severally, to redeem all or any of part of such holder's Series C Preferred Shares at a price per share (the "**Series C Redemption Price**") at earliest occurrence of any of the redemption events agreed in the documents of Series C Financing. The Series C Redemption Price equals to the aggregate amount of:

(i) 100% of the Series C issue price, which shall be subject to adjustments for certain dilutive issuances, splits and combinations;

(ii) interest accrued based on the Series C issue price and calculated at an agreed rate in the documents of the Probio Series C Financing, from the date of issuance thereof through and including the redemption date; and

(iii) any declared but unpaid dividends thereto as of the date of redemption.

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(c) Probio Series A Preferred Shares and Probio Series C Preferred Shares (Continued)

3) Redemption feature (Continued)

Each holder of Probio Series A Preferred Shares shall be entitled to request Probio Cayman and the Company, jointly and severally, to redeem all or any part of such holder's Series A Preferred Shares at a price per share (the "**Series A Redemption Price**") at earliest occurrence of any of the redemption events agreed in the documents of Series A Financing. The Series A Redemption Price equals to the aggregate amount of:

(i) 100% of the Series A issue price, which shall be subject to adjustments for certain dilutive issuances, splits and combinations;

(ii) interest accrued based on the Series A issue price and calculated at an agreed rate in the documents of the Probio Series A Financing, from the date of issuance thereof through and including the redemption date; and

(iii) any declared but unpaid dividends thereto as of the date of redemption.

No Series A Redemption Price or Series B Redemption Price will be paid unless and until all Series C Redemption Price of the eligible holders of Series C Preferred Shares is fully paid.

4) Liquidation Preference

Upon any liquidation, dissolution or winding up or other liquidation events of Probio Cayman, all assets of funds of Probio Cayman legally available for distribution to the shareholders are distributed in the sequence as follows:

(i) Series C liquidation amount

(ii) Series A liquidation amount

The Series C liquidation amount and Series A liquidation amount equal to the sum of (i) 100% of their respective issue price; (ii) interests thereon at an agreed rate per annum for each series of preferred shares and plus (iii) all declared and unpaid dividends on such preferred shares.

If the assets and funds thus distributed among the holders of Probio Series C Preferred Shares or Probio Series A Preferred Shares are insufficient to permit the payment to such holders of full Series C liquidation amount or Series A liquidation amount, then all such assets and funds of the Probio Cayman legally available for distribution shall be distributed ratably among the holders of such series of preferred shares in proportion to the liquidation amount that each such holder is otherwise entitled.

If there are any assets or funds remaining after the Series C liquidation amount and the Series A liquidation amount have been distributed or paid in full, the remaining assets and funds of Probio Cayman available for distribution shall be distributed ratably among holders of the preferred shares and ordinary shares based on the number of shares held by each such holder, on an as-if-converted basis.

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(c) Probio Series A Preferred Shares and Probio Series C Preferred Shares (Continued)

Presentation and classification

The Group does not bifurcate the embedded conversion derivatives from the host debt liability arising from the redemption right held by the shareholders of the Probio Series A Preferred Shares and Probio Series C Preferred Shares and has designated the entire instruments of Probio Series A Preferred Shares and Probio Series C Preferred Shares as financial liabilities at FVTPL. The change in fair value of financial liabilities at FVTPL is charged to profit or loss except for the portion attributable to own credit risk change that shall be charged to other comprehensive income.

As at 31 December 2023, the fair value of Probio Series A Preferred Shares was assessed at US$159,810,000 (31 December 2022: US$269,460,000) and the fair value of Probio Series C Preferred Shares was assessed at US$190,341,000 (31 December 2022: Not Applicable), and an aggregate fair value gain of US$113,308,000 (2022: US$8,670,000) was recognised during the year ended 31 December 2023.

The movements of the above preferred shares and warrants are set out below:

	2023 US$'000	2022 US$'000
As at 1 January	**352,359**	371,128
Issuance	**193,999**	—
Exercise of Legend Warrant	**(152,750)**	—
Fair value changes during the year	**(43,457)**	(18,769)
As at 31 December	**350,151**	352,359

During the years ended 31 December 2023 and 2022, management considered that there was no significant change of the credit risk of the Group or corresponding subsidiaries that drives the change of the fair value of each financial liability.

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30. FINANCIAL LIABILITIES AT AMORTISED COST

	Notes	2023 US$'000	2022 US$'000
Non-current			
Probio Series B Preferred Shares	(a)	**38,987**	36,761
BSJ Series A Capital Increase	(b)	**36,376**	—
		75,363	36,761

(a) Probio Series B Preferred Shares

On 2 July 2022, the Probio entered into an agreement with an institutional investor relating to the offer and sale of 57,314,000 series B convertible redeemable preferred shares of Probio Cayman ("**Probio Series B Preferred Shares**"), with a par value of US$0.00002 per share, at a purchase price of US$0.65 per preferred share for an aggregate consideration of US$37,254,100 ("**Probio Series B Financing**"). The Probio Series B Financing was completed on 6 July 2022.

The key terms of the Probio Series B Preferred Shares are summarised as follows:

1) Conversion right

Probio Series B Preferred Shares shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such preferred shares into such number of fully paid and non-assessable ordinary share. The conversion ratio for each Series B Preferred Share shall be determined by dividing the Series B issue price by the then Series B conversion price, in effect at the time of the conversion. The initial Series B conversion price shall be the Series B issue price (US$0.65 per Probio Series B Preferred Share), and such initial Series B conversion price shall be subject to adjustments for share dividend, share split or otherwise.

Probio Series B Preferred Shares shall automatically be converted into the ordinary shares of Probio Cayman at the then respective effective Conversion Price upon the completion of an IPO of Probio Cayman.

30. FINANCIAL LIABILITIES AT AMORTISED COST (Continued)

(a) Probio Series B Preferred Shares (Continued)

2) Redemption feature

Each holder of Probio Series B Preferred Shares shall be entitled to request Probio Cayman and the Company, jointly and severally, to redeem all or any part of such holder's Series B Preferred Shares at a price per share (the "**Series B Redemption Price**") at earliest occurrence of any of the redemption events agreed in the documents of Series B Financing. The Series B Redemption Price equals to the aggregate amount of:

(i) 100% of the Series B issue price, which shall be subject to adjustments for certain dilutive issuances, splits and combinations;

(ii) interest accrued based on the Series B issue price and calculated at an agreed rate in the documents of the Series B Financing, from the date of issuance thereof through and including the redemption date; and

(iii) any declared but unpaid dividends thereto as of the date of redemption.

Presentation and classification

The Probio Series B Preferred Shares contain only liability and equity components, of which the initial fair value of the liability component was determined at US$35,657,000 which was subsequently measured at amortised cost using effective interest method, and the remainder of the proceeds from the Series B Financing amounted to US$1,597,100 was allocated to the conversion option and recognised in the Group's equity.

(b) BSJ Series A Capital Increase

On 26 May 2023, Nanjing Bestzyme Bioengineering Co., Ltd. ("**BSJ Nanjing**"), an indirect non-wholly owned subsidiary of the Company, entered into capital increase agreement with certain investors (collectively referred as "**BSJ Series A Investors**"), pursuant to which BSJ Nanjing issued additional registered capital of RMB37,609,070 for a total consideration of RMB250,000,000 ("**BSJ Series A Capital Increase**"). The BSJ Series A Capital Increase was completed on 25 June 2023.

Pursuant to the BSJ Series A Capital Increase documents, each of BSJ Series A Investors shall be entitled to request BSJ Nanjing to redeem all or part of such registered capital at a price per share ("**BSJ Series A Redemption Obligations**") at earliest occurrence of any redemption events agreed in BSJ Series A Capital Increase documents. The BSJ Series A Redemption Obligations equals to the aggregate amount of:

(i) 100% of the issue price for each registered capital;

(ii) interest accrued based on the issue price for each registered capital and calculated at an agreed rate in the documents of the BSJ Series A Capital Increase, from the date of issuance thereof through and including the redemption date; and

(iii) any declared but unpaid dividends thereto as of the date of redemption.

30. FINANCIAL LIABILITIES AT AMORTISED COST (Continued)

(b) BSJ Series A Capital Increase (Continued)

Presentation and classification

Since the BSJ Series A Capital Increase contains an obligation for BSJ Nanjing purchase its own equity instruments for cash, it gives rise to a financial liability for the present value of the redemption amount even if the obligation to purchase is conditional on BSJ Series A Investors exercising a right to redeem.

Therefore, the Company initially recognised the BSJ Series A Redemption Obligations as a financial liability at approximately US$35,089,000, which is the present value of the redemption amount, and subsequently measured at amortised cost using effective interest method.

The movements of liability components for Probio Series B Preferred Shares and BSJ Series A Redemption Obligations are set out below:

	2023	2022
	US$'000	US$'000
As at 1 January	**36,761**	35,657
Issuance	**35,089**	—
Interest expenses accrued during the year	**3,443**	1,104
Exchange realignment	**70**	—
As at 31 December	**75,363**	36,761

31. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation US$'000	Fair value adjustments arising from acquisition of a subsidiary US$'000	Collaboration revenue US$'000	Right-of-use assets US$'000	Unrealised fair value of financial assets at fair value through profit or loss US$'000	Withholding Tax US$'000	License revenue-transitional adjustment US$'000	Total US$'000
At 1 January 2023	28,378	2,666	–	114	–	–	–	31,158
Deferred tax charged/ (credited) to profit or loss during the year	87	(1,459)	–	10,739	196	925	3,144	13,632
Exchange realignment	(335)	(2)	–	–	–	–	–	(337)
Gross deferred tax liabilities at 31 December 2023	28,130	1,205	–	10,853	196	925	3,144	44,453
At 1 January 2022 (Restated)	29,031	2,852	14,125	—	—	—	—	46,008
Deferred tax charged/(credited) to profit or loss during the year	1,065	(159)	(14,125)	114	—	—	—	(13,105)
Exchange realignment	(1,718)	(27)	—	—	—	—	—	(1,745)
Gross deferred tax liabilities at 31 December 2022	28,378	2,666	—	114	—	—	—	31,158

31. DEFERRED TAX (Continued)

Deferred tax assets

	Accrued Expenses US$'000	Difference in intangible assets amortization US$'000	Impairment of assets US$'000	Unrealised profit from intercompany transactions US$'000	Subsidies US$'000	Losses available for offsetting against future taxable profits US$'000	Unrealised fair value of financial assets at fair value through profit or loss US$'000	Lease liabilities US$'000	Cost recovery of R&D expense and R&D credit US$'000	Total US$'000
At 1 January 2023	**9,232**	**1,250**	**1,326**	**3,243**	**1,436**	**18,388**	**150**	**120**	**3,046**	**38,191**
Deferred tax (charged)/credited to profit or loss during the year	**(2,544)**	**1,551**	**2,553**	**592**	**162**	**3,089**	**(150)**	**11,609**	**620**	**17,482**
Exchange realignment	**(38)**	**–**	**(30)**	**15**	**(25)**	**(258)**	**–**	**–**	**–**	**(336**
Gross deferred tax assets at 31 December 2023	**6,650**	**2,801**	**3,849**	**3,850**	**1,573**	**21,219**	**–**	**11,729**	**3,666**	**55,337**
At 1 January 2022	3,333	1,056	1,063	1,751	1,535	34,069	561	—	—	43,368
Deferred tax credited/(charged) to profit or loss during the year	6,090	194	370	1,492	32	(14,576)	(376)	120	3,046	(3,608)
Exchange realignment	(191)	—	(107)	—	(131)	(1,105)	(35)	—	—	(1,569)
Gross deferred tax assets at 31 December 2022	9,232	1,250	1,326	3,243	1,436	18,388	150	120	3,046	38,191

Deferred tax is not recognised in respect of the Group's investments in associates where the Group is able to control the timing of remittance or other realisation and where remittance or realisation is not probable in the foreseeable future. The aggregate temporary differences relating to unrecognised deferred tax liabilities arising on investments in associates are insignificant.

For presentation purposes, deferred tax assets and liabilities amounted to US$38,831,000 (2022: US$23,146,000) have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 US$'000	2022 US$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**5,622**	8,012
Net deferred tax assets recognised in the consolidated statement of financial position	**16,506**	15,045

31. DEFERRED TAX (Continued)

Deferred tax assets have not been recognised in respect of the following item during the reporting year:

	2023 US$'000	2022 US$'000
Tax losses and deductible temporary differences	**1,705,386**	1,233,416

During the year ended 31 December 2023, the Group has tax losses arising in Hong Kong of US$5,717,000 (2022: US$3,694,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

During the year ended 31 December 2023, the Group has tax losses arising in Mainland China of US$98,403,000 (2022: US$97,207,000) that will expire in 5 to 10 years for offsetting against future taxable profits.

During the year ended 31 December 2023, the Group has tax losses arising in the United States of US$52,554,000 (2022: US$190,241,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

During the year ended 31 December 2023, the Group has tax losses arising in Ireland of US$134,800,000 (2022: US$118,600,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2023, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such remaining earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was US$220,784,000 at 31 December 2023 (2022: US$185,839,000).

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32. SHARE CAPITAL AND SHARE PREMIUM

Shares

	31 December 2023 US$'000	31 December 2022 US$'000
Authorised:		
Ordinary shares of US$0.001 each	**5,000**	5,000
Issued and fully paid:		
Ordinary shares of US$0.001 each	**2,121**	2,111

A summary of movements in the Group's share capital and share premium is as follows:

	Notes	Number of shares in issue	Share Capital US$'000	Treasury Shares US$'000	Share Premium US$'000	Total US$'000
At 1 January 2022 (Restated)		2,095,686,208	2,096	(15,753)	1,274,271	1,260,614
Transactions with non-controlling shareholders		—	—	—	(1,182)	(1,182)
Issuance of ordinary shares of Legend Cayman	(a)	—	—	—	182,464	182,464
Exercise of share options and restricted share units		15,539,427	15	3,831	17,474	21,320
At 31 December 2022 and 1 January 2023		**2,111,225,635**	**2,111**	**(11,922)**	**1,473,027**	**1,463,216**
Issuance of ordinary shares of Legend Cayman	(b)	**—**	**—**	**—**	**429,065**	**429,065**
Exercise of share options and restricted share units		**9,396,823**	**10**	**2,477**	**37,166**	**39,653**
At 31 December 2023		**2,120,622,458**	**2,121**	**(9,445)**	**1,939,258**	**1,931,934**

32. SHARE CAPITAL AND SHARE PREMIUM (Continued)

(a) On 29 July 2022, Legend Cayman completed a follow-on public offering by issuing 18,722,000 ordinary shares at $21.50 per ordinary share. Legend received net proceeds of US$377,600,000, net of issuance costs of US$24,900,000.

(b) On 24 April 2023, 2 May 2023 and 19 May 2023, Legend sold 7,656,968, 484,992 and 692,782 ordinary shares to institutional investors in private placement transactions, respectively, for net proceeds of US$234,410,000, after deduction of related issuance costs.

On 10 May 2023, Legend sold 10,937,500 ordinary shares to certain investors in a registered direct offering at a price of US$32.00 per Legend's share, for net proceeds of US$349,278,000, after deduction of related issuance costs.

On 11 May 2023, the PIPE Investor exercised Legend Warrant in full for an aggregate exercise price of US$200,000,000, and, as a result, Legend issued 10,000,000 ordinary shares to the PIPE Investor.

33. SHARE OPTION SCHEME

a) The Company

The Company's Pre-IPO and Post-IPO share option scheme are generally vested over a 5-year term. The performance goals are determined by the board of directors. For those awards, evaluations are made as of each reporting period to assess the likelihood of performance criteria being met. Share-based compensation expenses are then adjusted to reflect the reversion of original estimates.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. The only condition for vesting is service condition.

	2023		2022	
	Weighted average exercise price US$ per share	**Number of options '000**	Weighted average exercise price US$ per share	Number of options '000
At 1 January	**0.7382**	**92,647**	0.7372	109,444
Forfeited during the year	**2.0240**	**(1,442)**	1.9191	(3,384)
Exercised during the year	**1.0085**	**(5,788)**	0.4820	(13,279)
Expired during the year	**3.3710**	**(274)**	2.0146	(134)
At 31 December	**0.6891**	**85,143**	0.7382	92,647
Exercisable at 31 December	**0.6102**	**77,799**	0.5903	77,200

The weighted average share price at the date of exercise for share options exercised during the year was HK$21.996 (2022: HK$28.086) per share.

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33. SHARE OPTION SCHEME (Continued)

a) The Company (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the year are as follows:

31 December 2023 Number of options '000	Exercise price* US$ per share	Exercise period
24	0.0515	2013/08/10~2025/07/31
38,150	0.0617	2014/12/31~2025/07/31
1,838	0.0772	2013/09/01~2025/07/31
7,672	0.1552	2016/06/22~2026/06/21
3,277	0.3102	2017/09/23~2026/09/22
11,265	0.4514	2019/04/25~2027/04/24
5,824	1.0672	2018/07/25~2027/10/10
2,011	1.1969	2019/12/31~2027/11/19
2,190	1.7857	2021/04/29~2030/04/28
126	1.7948	2018/11/29~2028/11/28
1,971	2.3444	2020/07/19~2029/07/18
2,296	2.4444	2020/11/29~2029/11/28
6,505	3.3710	2019/01/01~2028/05/03
718	1.9355	2020/09/01~2025/08/31
940	1.5606	2021/11/21~2030/12/27
100	1.7857	2022/03/31~2031/03/30
236	3.9228	2022/05/31~2031/05/30
85,143		

33. SHARE OPTION SCHEME (Continued)

a) The Company (Continued)

31 December 2022 Number of options '000	Exercise price* US$ per share	Exercise period
84	0.0515	2013/08/10~2025/07/31
38,150	0.0617	2014/12/31~2025/07/31
3,038	0.0772	2013/09/01~2025/07/31
117	0.1029	2018/02/01~2025/12/31
7,875	0.1552	2016/06/22~2026/06/21
3,531	0.3102	2017/09/23~2026/09/22
12,336	0.4514	2019/04/25~2027/04/24
6,463	1.0672	2018/07/25~2027/10/10
2,309	1.1969	2019/12/31~2027/11/19
2,790	1.7857	2021/04/29~2030/04/28
1,307	1.7948	2018/11/29~2028/11/28
2,511	2.3444	2020/07/19~2029/07/18
2,661	2.4444	2020/11/29~2029/11/28
7,101	3.3710	2019/01/01~2028/05/03
718	1.9355	2020/09/01~2025/08/31
1,310	1.5606	2021/11/21~2030/12/27
100	1.7857	2022/03/31~2031/03/30
246	3.9228	2022/05/31~2031/05/30
92,647		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

No share options were granted during the year ended 31 December 2023 (2022:Nil). The Group recognised a share option expense of US$463,000 (2022: US$1,794,000) during the year ended 31 December 2023.

At 31 December 2023, the Company had 85,143,000 share options outstanding under the share option scheme, which represented approximately 4.0% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 85,143,000 additional ordinary shares of the Company, an additional share capital of approximately US$85,143 and a share premium of approximately US$58,587,000 (before issue expenses).

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33. SHARE OPTION SCHEME (Continued)

b) The Legend

Legend operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Legend's operations. Eligible participants of the Scheme include Legend's directors, including independent non-executive directors, and employees of any member of Legend. The Scheme became effective on 21 December 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Scheme has a performance vesting condition and is subject to forfeiture if the participants cannot meet certain performance targets set by the board of directors.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding during the year:

	2023		2022	
	Weighted Average exercise price US$ per share	Number of options '000	Weighted Average exercise price US$ per share	Number of options '000
At 1 January	7.1370	9,180	2.8970	9,529
Granted during the year	23.5300	355	19.4468	2,265
Exercised during the year	5.0687	(2,460)	1.8032	(2,041)
Forfeited during the year	2.8336	(708)	4.2888	(573)
At 31 December	9.3287	6,367	7.1370	9,180
Exercisable at 31 December	4.5401	3,470	2.8705	3,281

The weighted average share price at the date of exercise for share options exercised during the year was US$31.814 per share (2022: US$22.581 per share).

33. SHARE OPTION SCHEME (Continued)

b) The Legend (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the year are as follows:

31 December 2023 Number of options '000	Exercise price* US$ per share	Exercise period
1,747	0.5	2019/12/25~2027/12/25
801	1.0	2019/07/01~2028/08/29
84	1.0	2019/12/31~2028/12/30
723	1.5	2020/07/02~2029/07/01
152	11.5	2020/11/29~2029/11/28
54	11.5	2021/06/05~2030/06/04
255	16.3	2021/09/01~2030/08/31
210	14.1	2022/03/29~2031/03/28
160	19.0	2022/08/27~2031/08/26
409	18.4	2023/03/31~2032/03/31
740	18.2	2023/04/30~2032/04/30
80	18.4	2023/05/02~2032/05/02
40	18.4	2023/05/05~2032/05/05
80	18.4	2023/05/08~2032/05/08
200	18.4	2023/05/10~2032/05/10
10	19.7	2023/05/13~2032/05/13
207	27.5	2023/06/30~2032/06/30
60	23.3	2023/08/02~2032/08/02
355	23.5	2024/04/03~2033/04/02
6,367		

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33. SHARE OPTION SCHEME (Continued)

b) The Legend (Continued)

31 December 2022 Number of options '000	Exercise price* US$ per share	Exercise period
2,875	0.5	2019/12/25~2027/12/25
1,248	1.0	2019/07/01~2028/08/29
271	1.0	2019/12/31~2028/12/30
1,393	1.5	2020/07/02~2029/07/01
201	11.5	2020/11/29~2029/11/28
90	11.5	2021/06/05~2030/06/04
322	16.3	2021/09/01~2030/08/31
410	14.1	2022/03/29~2031/03/28
165	19.0	2022/08/27~2031/08/26
740	18.4	2023/03/31~2032/03/31
750	18.2	2023/04/30~2032/04/30
80	18.4	2023/05/02~2032/05/02
40	18.4	2023/05/05~2032/05/05
80	18.4	2023/05/08~2032/05/08
200	18.4	2023/05/10~2032/05/10
15	19.7	2023/05/13~2032/05/13
240	27.5	2023/06/30~2032/06/30
60	23.3	2023/08/02~2032/08/02
9,180		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in Legend's share capital. Pursuant to certain listing rules of the Hong Kong Stock Exchange to which members of the Genscript Group are subject to, Legend adjusted the exercise price of options granted during 29 November 2019 through 9 December 2019 to $11.50 per share in 2021. Concurrent with this adjustment, Legend agreed to pay each employee holding affected share options an amount in cash representing the difference between the adjusted exercise price over the original exercise price upon exercising the share options.

The fair value of the share options granted during the year was US$4,756,000 (US$13.4 each) (2022: US$27,200,000 (US$12.0 each)). Legend recognised share option expense of US$11,330,000 (2022: US$10,738,000) during the year ended 31 December 2023.

33. SHARE OPTION SCHEME (Continued)

b) The Legend (Continued)

The fair value of equity-settled share options granted during the year was estimated, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	31 December 2023	31 December 2022
Dividend yield (%)	—	—
Expected volatility (%)	66.1	73.0–87.1
Risk-free interest rate (%)	3.40–4.84	0.52–3.11
Expected life of options (year)	10	10

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of comparable listed companies in the same industry. The weighted average share price was US$23.530 used in the share option fair value valuation model during the year ended December 31, 2023.

At 31 December 2023, Legend had 6,366,538 share options outstanding under the scheme, which represented approximately 1.7% of Legend's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Legend, result in the issue of 6,366,538 additional ordinary shares of the Legend, an additional share capital of approximately US$637 and a share premium of approximately US$59,400,000 (before issue expenses).

34. RESTRICTED STOCK SHARES

a) The Company

The Company operates the restricted stock unit schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the restricted share award scheme adopted by the Company on 22 March 2019 (the "**2019 RSU Scheme**") include the Company's directors, including independent non-executive directors, and employees of any member of the Group. Eligible participants of the restricted share award scheme adopted by the Company on 23 August 2021 (the "**2021 RSU Scheme**", together with the 2019 RSU Scheme, the "**RSU Schemes**") include (i) directors or employees of the Group, and/or (ii) person who has made significant contribution, or will potentially make significant contribution to, the development of the Group. The RSU Schemes have a performance vesting condition and is subject to forfeiture if the participants cannot meet certain performance target (if any) set by the board of directors.

34. RESTRICTED STOCK SHARES (Continued)

a) The Company (Continued)

The movement in the number of RSUs outstanding for the year ended 31 December 2023 was as follows:

	2023 Number '000	2022 Number '000
At 1 January	11,388	12,497
Granted during the year	16,354	5,071
Forfeited during the year	(996)	(2,183)
Vested during the year	(4,716)	(3,997)
At 31 December	22,030	11,388

The weighted-average remaining contractual life for outstanding RSUs granted under the RSU Scheme was 3.56 years as of 31 December 2023 (2022: 3.17 years).

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date.

The fair value of the RSUs granted during the year was US$40,233,000 (US$2.460 each) (2022: US$15,172,000 (US$2.992 each)). The Group recognised RSUs expense of US$16,251,000 (2022: US$16,964,000) during the year ended 31 December 2023.

At the end of the reporting period, the Company had 22,030,000 RSUs outstanding under the RSU Scheme, which represented approximately 1.0% of the Company's shares in issue as at that date.

b) The Legend

Legend operates a restricted stock unit plan (the "**Legend RSU Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Legend's operations. Eligible participants of the Plan include the Legend's directors, including independent non-executive directors, and employees of any member of the Legend. The Legend RSU Scheme became effective on 26 May 2020 unless otherwise cancelled or amended, will remain in force. The RSU Scheme has a performance vesting condition and is subject to forfeiture if the participants cannot meet certain performance target set by the board of directors.

34. RESTRICTED STOCK SHARES (Continued)

b) The Legend (Continued)

The movement in the number of RSU outstanding for the year ended 31 December 2023 was as follows:

	2023 Number '000	2022 Number '000
At 1 January	**3,386**	2,601
Granted during the year	**3,429**	2,200
Forfeited during the year	**(411)**	(500)
Vested during the year	**(1,455)**	(915)
At 31 December	**4,949**	3,386

The weighted-average remaining contractual life for outstanding RSUs granted under the Legend RSU Scheme was 1.64 years as of 31 December 2023 (2022: 1.09 years).

The fair value of the awarded shares was calculated based on the market price of the Legend's shares at the respective grant date.

The fair value of the RSUs granted during the year was US$101,523,000 (US$29.604 each) (2022 US$45,300,000 (US$20.570 each)). Legend recognised RSUs expense of US$36,350,000 (2022: US$23,600,000) during the year ended 31 December 2023.

At the end of the reporting period, Legend had 4,949,000 RSUs outstanding under the Legend RSU Scheme, which represented approximately 1.4% of the Legend's shares in issue as at that date.

c) The Probio

The Probio operates a restricted stock unit plan (the "**Probio RSU Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Probio's operations. Eligible participants of the Probio RSU Scheme include the Probio's directors, including independent non-executive directors, and employees of any member of the Probio. The Probio RSU Scheme became effective on 3 August 2021 unless otherwise cancelled or amended. The Probio RSU Scheme has performance vesting conditions and is subject to forfeiture if the participants cannot meet certain performance targets set by the board of directors, and if employment is terminated, the vested part has to be transferred back to the Probio's RSU pool unless otherwise agreed, the unvested part will lapse.

34. RESTRICTED STOCK SHARES (Continued)

c) The Probio (Continued)

The movements in the number of RSUs outstanding for the year ended 31 December 2023 were as follows:

	2023 Number '000	2022 Number '000
At 1 January	88,932	97,302
Granted during the year	28,467	13,046
Forfeited during the year	(20,282)	(4,734)
Vested during the year	(17,141)	(16,682)
At 31 December	79,976	88,932

The weighted average remaining contractual life for the outstanding RSUs granted under the Probio RSU Scheme was 3.44 years as at 31 December 2023 (2022: 4.10 years).

The fair value of the awarded shares was calculated based on the fair value of the ordinary shares of Probio Cayman at the respective grant date, which was estimated using the discounted cash flow method with the below key assumptions were applied in the valuation technique:

	2023 June	2023 February
Fair value of ordinary shares of Probio Cayman	US$0.48	US$0.58
Risk-free interest rate	3.83%–4.13%	3.56%–3.78%
DLOM	20.00%–27.00%	20.50%–25.76%
Volatility	55.42%–57.49%	54.96%–57.31%

The fair value of the RSU granted during the year was US$15,104,000 (US$0.53each) (2022: US$7,915,000 (US$0.61 each)). The Group recognised RSUs expenses of US$(932,000) (2022: US$12,058,000) during the year ended 31 December 2023.

At the end of the reporting period, Probio had 79,976,000 restricted share units outstanding under the Probio RSU Scheme (including vested but not exercised RSUs), which represented approximately 3.5% of Probio's ordinary shares in issue as at that date.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting periods are presented in the consolidated statement of changes in equity on pages 110 to 111 of this report.

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with a functional currency other than US$.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

For the year ended 31 December 2023, the Group had non-cash additions to interest-bearing loans and borrowings of Nil (2022: US$130,300,000) which was received through the deduction of other payables to collaborator, and non-cash deductions to interest-bearing loans and borrowings of US$20,882,000 (2022: Nil) which was related to maturity of issued the bank acceptance bills within the Group.

For the years ended 31 December 2023, the Group had non-cash additions to collaboration prepaid leases included in the other payables and accruals for the assets leased from the collaboration partner of US$16,338,000 (2022: US$26,500,000) and had non-cash additions to property, plant and equipment included in other payables and accruals of US$6,588,000 (2022: US$5,100,000).

For the year ended 31 December 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of US$33,548,000 (2022: US$34,107,000) and US$ 28,148,000(2022: US$29,283,000), respectively, in respect of lease arrangements for buildings and office premises.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities

2023

	Financial liabilities at fair value through profit or loss US$'000	Lease liabilities US$'000	Interest-bearing loans and borrowings US$'000
At 1 January 2023	353,709	55,112	294,687
Changes from financing cash flows	—	(9,454)	49,782
Issuance	193,999	—	—
Fair value changes	(44,807)	—	—
Exercise of Legend Warrant	(152,750)	—	—
New leases	—	28,148	—
Non-cash decrease (Note 36(a))	—	—	(20,882)
Exchange realignment	—	845	(251)
Disposal	—	(1,879)	—
Interest expense	—	2,683	21,384
Interest paid classified as operating cash flows	—	(2,683)	(502)
At 31 December 2023	350,151	72,772	344,218

2022

	Financial liabilities at fair value through profit or loss US$'000	Lease liabilities US$'000	Interest-bearing loans and borrowings US$'000
At 1 January 2022	371,128	34,859	121,591
Changes from financing cash flows	—	(6,925)	32,599
Fair value changes	(17,419)	—	—
New leases	—	29,283	—
Non-cash additions (Note 36(a))	—	—	130,300
Exchange realignment	—	(767)	70
Disposal	—	(1,338)	—
Interest expense	—	1,632	10,534
Interest paid classified as operating cash flows	—	(1,632)	(407)
At 31 December 2022	353,709	55,112	294,687

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 US$'000	2022 US$'000
Within operating activities	**7,084**	4,990
Within financing activities	**9,454**	6,925
	16,538	11,915

37. PLEDGE OF ASSETS

Details of the Group's restricted cash are included in Note 24 to the financial statements.

Details of the Group's pledged property, plant and equipment, leasehold land and investment properties are included in Notes 13, 14,15 and 27 to the financial statements

38. COMMITMENTS

(a) The Group had the following capital commitments at the end of the year:

	2023 US$'000	2022 US$'000
Contracted, but not provided for:		
Property, plant and equipment	**50,924**	108,965
Capital commitments to unlisted equity investments	**17,377**	—

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2023. The future lease payments for these non-cancellable lease contracts are US$123,000 due within one year and US$88,000 due in two to five years.

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39. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

Company	Relationship
GenScript Corporation ("**GS Corp**")	The ultimate holding company
Maple Bio ("**Maple Bio**")	Associate
Maple Bio HK Limited ("**Maple Bio HK**")	Associate
Gourd Therapeutics, Inc. ("**Gourd**")	Associate
Deyang Tara ("**Tara**")	Associate
Huatai Genscript ("**Huatai**")	Associate
Vibrant Pharma Ltd.("**Vibrant**")	Controlled by a director of the Company

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2023 US$'000	2022 US$'000
Sales of service to Huatai	665	—
Sales of products and service to Tara	128	88
Sales of products and service to Vibrant	13	139
Sales of products to Gourd	6	16
Purchase of products from Tara	1,359	184

Notes: the prices are mutually agreed after taking into account the prevailing market prices.

39. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

The Group had the following significant balances with its related parties during the year:

(i) Due from related parties

	2023 US$'000	2022 US$'000
Maple Bio HK*	223	201
Vibrant	18	112
Aquapoint	9	9
GS Corp	2	15
Maple Bio	—	89
	249	426

* Except for the balance amounted US$37,000 (2022: US$37,000) with Maple Bio HK which were interest-bearing and repayable within one year, the other balances are unsecured, interest-free and have no fixed terms of repayment.

(ii) Due to related parties

	2023 US$'000	2022 US$'000
Tara	359	—
Maple Bio	33	—
Vibrant	—	7
	392	7

(c) Compensation of key management personnel of the Group:

	2023 US$'000	2022 US$'000
Short-term employee benefits	3,091	3,488
Pension scheme contributions	59	28
Equity-settled share-based compensation expense	6,506	2,992
Total compensation paid to key management personnel	9,656	6,508

Further details of directors' emoluments are included in Note 8 to the financial statements.

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that have material non-controlling interests are set out below:

	2023	2022
Percentage of equity interest held by non-controlling interests:		
Legend	52.0%	47.1%

	2023 US$'000	2022 US$'000
Loss for the year allocated to non-controlling interests:		
Legend	259,701	201,749
Accumulated balances of non-controlling interests at the reporting date:		
Legend	651,184	350,799

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2023 US$'000	2022 US$'000
Revenue	285,143	117,005
Total expenses	(659,183)	(497,991)
Loss for the year	(518,254)	(446,349)
Total comprehensive loss for the year	(488,621)	(436,542)
Current assets	1,497,799	1,099,119
Non-current assets	350,810	231,844
Current liabilities	216,418	297,788
Non-current liabilities	380,820	288,863
Net cash flows used in operating activities	(393,276)	(201,281)
Net cash flows generated from/(used in) investing activities	92,786	(77,092)
Net cash flows generated from financing activities	791,490	377,976
Net increase in cash and cash equivalents	491,000	99,603

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

Financial assets

	Financial assets at fair value through profit or loss designated as such upon initial recognition US$'000	Financial assets at amortised cost US$'000	Total US$'000
Financial assets at fair value through profit or loss	137,514	—	137,514
Other non-current assets	—	3,176	3,176
Time deposits	—	414,249	414,249
Trade and notes receivables	—	217,443	217,443
Financial assets included in prepayments, other receivables and other assets	—	57,851	57,851
Restricted cash	—	33,072	33,072
Cash and cash equivalents	—	1,446,403	1,446,403
	137,514	2,172,194	2,309,708

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41. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2023 (Continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss designated as such upon initial recognition US$'000	Financial liabilities at amortised cost US$'000	Total US$'000
Financial liabilities at fair value through profit or loss	350,151	–	350,151
Financial liability measured at amortised cost	–	75,363	75,363
Trade and bills payables	–	39,959	39,959
Financial liabilities included in other payables and accruals	–	91,152	91,152
Interest-bearing loans and other borrowings	–	344,218	344,218
Lease liabilities	–	72,772	72,772
	350,151	623,464	973,615

41. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2022

Financial assets

	Financial assets at fair value through profit or loss designated as such upon initial recognition US$'000	Financial assets at amortised cost US$'000	Total US$'000
Financial assets at fair value through profit or loss	222,476	—	222,476
Other non-current assets	—	3,483	3,483
Time deposits	—	228,511	228,511
Trade and notes receivables	—	104,089	104,089
Financial assets included in prepayments, other receivables and other assets	—	46,502	46,502
Restricted cash	—	27,203	27,203
Cash and cash equivalents	—	1,023,999	1,023,999
	222,476	1,433,787	1,656,263

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41. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2022 (Continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss designated as such upon initial recognition US$'000	Financial liabilities at amortised cost US$'000	Total US$'000
Financial liabilities at fair value through profit or loss	353,709	—	353,709
Financial liability measured at amortised cost	—	36,761	36,761
Trade and bills payables	—	55,755	55,755
Financial liabilities included in other payables and accruals	—	67,828	67,828
Interest-bearing loans and other borrowings	—	294,687	294,687
Lease liabilities	—	55,112	55,112
	353,709	510,143	863,852

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2023 US$'000	2022 US$'000	**2023 US$'000**	2022 US$'000
Financial assets				
Financial assets at fair value through profit or loss	**137,514**	222,476	**137,514**	222,476
Financial liabilities				
Financial liabilities at fair value through profit or loss	**350,151**	353,709	**350,151**	353,709

Management has assessed that the fair values of time deposits, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, restricted cash, cash and cash balances, trade and bills payables, financial liability measured at amortised cost, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the finance manager. At each reporting date, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation was reviewed and approved by the finance manager. The valuation process and results are discussed with the directors twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets* (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Financial assets at fair value through profit or loss	13,749	123,765	—	137,514

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets* (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Financial assets at fair value through profit or loss	185,603	36,873	—	222,476

* Financial assets measured at fair value represent money market funds, which are classified as Level 1 in the fair value hierarchy.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Financial liabilities at fair value profit or loss	—	—	350,151	350,151

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Financial liabilities at fair value profit or loss	—	68,350	285,359	353,709

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

Valuation techniques and significant inputs used to determine fair values:

(a) *Level 2 financial instruments:*

Financial assets:

The fair value of investments in unlisted equity investments were calculated based on a) the net assets value of the investee which approximates the fair value and b) the investees' recent transaction prices.

The fair value of wealth management products issued by banks and reputation investment management Companies was estimated based on the expected return that reflects the credit risk of the products.

Forward currency contracts and option contracts, are measured using valuation techniques similar to forward pricing, using present value calculations. The model incorporates market observable inputs including foreign exchange spot, forward exchange rates and risk-free interest rate curves.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Valuation techniques and significant inputs used to determine fair values: (Continued)

(a) Level 2 financial instruments: (Continued)

Financial liabilities:

The following table lists the inputs to the binomial model used for the fair value valuation of warrant liability (Legend Warrant) as at 31 December 2022:

Legend Warrant	31 December 2022
Underlying stock price	US$24.96
Volatility	62.30%
Risk free rate	3.8%–4.7%
Dividend	—

(b) Level 3 financial instruments

Financial liabilities:

As at 31 December 2023, the Group measured the Probio Series A and Series C Preferred Shares at fair value. The fair value of these preferred shares is determined by using the valuation techniques, including the discounted cash flow method and the back-solve method. Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis:

Probio Series A and Series C Preferred Shares	31 December 2023	31 December 2022
Fair value of ordinary shares of Probio Cayman	**US$0.32**	US$0.60
Risk-free interest rate (Note i)	**3.84%–3.97%**	4.05%
DLOM (Note ii)	**23.86%–26.50%**	16.00%–21.00%
Volatility (Note iii)	**53.45%**	54.80%–57.14%

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on the annualised standard deviation of the daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Valuation techniques and significant inputs used to determine fair values: (Continued)

(b) Level 3 financial instruments (Continued)

Financial liabilities: (Continued)

Notes:

i. 0.25% increase/decrease in the risk-free interest rate with all other variables held constant would decrease/increase the fair value of Probio Preferred Shares by US$909,000 and US$912,000 as at 31 December 2023, respectively.

ii. 5% increase/decrease in DLOM with all other variables held constant would decrease/increase the fair value of Probio Preferred Shares by US$22,727,000 and US$22,727,000 as at 31 December 2023, respectively.

iii. 5% increase/decrease in volatility with all other variables held constant would decrease/increase the fair value of Probio Preferred Shares by US$12,590,000 and US$12,660,000 as at 31 December 2023, respectively.

Probio Warrant	31 December 2022
Fair value of ordinary shares of Probio Cayman	US$0.60
Risk-free interest rate	4.75%
Volatility	49.59%

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond with maturity close to the expected exit timing as of the valuation date. Volatility was estimated based on the annualised standard deviation of the daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing loans and other borrowings, convertible redeemable preferred shares, cash and cash equivalents, time deposits and restricted cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into forward currency contracts and option contracts transaction. The purpose is to manage the currency risks arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

As at 31 December 2023, the Group's exposure to the risk of changes in interest rates was primarily relates to the Group's interest-bearing loans and other borrowings as disclosed in Note 27 to the financial statements. If the interest rates had been 50 basis point higher or lower, with all other variables held constant, the pre-tax loss of the Group would have been approximately US$1,250,000 (2022: US$875,000) higher or lower for the year ended 31 December 2023.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 4% (2022: 3%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sales, whilst approximately 1% (2022: 1%) of costs were denominated in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in the rate of foreign currency %	(Decrease)/ increase in equity US$'000
Year ended 31 December 2023		
If US$ strengthens against RMB	**5**	**(1,117)**
If US$ weakens against RMB	**(5)**	**1,117**
Year ended 31 December 2022		
If US$ strengthens against RMB	5	(5,201)
If US$ weakens against RMB	(5)	5,201

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The carrying amounts of cash and cash equivalents, time deposits, financial assets at fair value through profit or loss and restricted cash are the Group's maximum exposure to credit risk in relation to its financial assets. The group expects that there is no significant credit risk associated with above financial assets since they are substantially held in reputable state-owned banks and other medium or large-sized listed bank.

In respect of trade and other receivables, individual credit rating is performed on customers and counterparties. These evaluations focus on the counterparty's business performance, including but not limited to, financing activities, financial position and market economic environment, and past history of payment punctuality. Prepayment requirement is determined and credit limit is granted based on the credit rating and historical contracting amount, which will be reviewed quarterly. Monitoring procedures have been implemented to ensure that follow-up actions will be taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual transaction and accounts' revenue volume, outstanding balances, long-time past due invoices and payment records semi-yearly to ensure that adequate impairment losses are made for irrecoverable amounts.

Maximum exposure and year-end staging

As at 31 December 2023

	12 months ECLs	Lifetime ECLs			
	Stage 1 US$'000	Stage 2 US$'000	Stage 3 US$'000	Simplified approach US$'000	Total US$'000
Other non-current assets	3,176	—	—	—	3,176
Trade and notes receivables*	—	—	—	217,443	217,443
Financial assets included in prepayments, other receivables and other assets					
— Normal**	57,851	—	—	—	57,851
— Doubtful**	—	—	—	—	—
Restricted cash	33,072	—	—	—	33,072
Time deposits					
— not yet past due	414,249	—	—	—	414,249
Cash and cash bank balance					
— not yet past due	1,446,403	—	—	—	1,446,403
	1,954,751	—	—	217,443	2,172,194

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2022

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Other non-current assets	3,483	—	—	—	3,483
Trade and notes receivables*	—	—	—	107,450	107,450
Financial assets included in prepayments, other receivables and other assets					
— Normal**	46,502	—	—	—	46,502
— Doubtful**	—	—	—	—	—
Restricted cash	27,203	—	—	—	27,203
Time deposits					
— not yet past due	228,511	—	—	—	228,511
Cash and cash equivalents					
— not yet past due	1,023,999	—	—	—	1,023,999
	1,329,698	—	—	107,450	1,437,148

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in Note 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in Notes 22 and 23 to the financial statements, respectively.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

Year ended 31 December 2023

	Less than 1 year US$'000	Over 1 year US$'000	Total US$'000
Interest-bearing bank borrowings (note i)	57,416	287,567	344,983
Trade and bills payables	39,959	—	39,959
Other payables and accruals	91,152	—	91,152
Lease liabilities	11,420	84,356	95,776
Financial liabilities at fair value through profit or loss (note ii)	—	530,998	530,998
Financial liability measured at amortised cost (note iii)	—	97,509	97,509
	199,947	1,000,430	1,200,377

Year ended 31 December 2022

	Less than 1 year US$'000	Over 1 year US$'000	Total US$'000
Interest-bearing bank borrowings (note i)	33,876	261,007	294,883
Trade and bills payables	55,755	—	55,755
Other payables and accruals	67,828	—	67,828
Lease liabilities	10,480	52,227	62,707
Financial liabilities at fair value through profit or loss (note ii)	—	240,000	240,000
Financial liability measured at amortised cost (note iii)	—	48,504	48,504
	167,939	601,738	769,677

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Note:

(i) For Funding Advances from Janssen, pursuant to the terms of the license and collaboration agreement, the collaborator may recoup the aggregate amount of Funding Advances together with interest thereon from Company's share of pre-tax profits for the first profitable year of the collaboration program and, subject to some limitations, from milestone payments due to the Company under the Janssen Agreement. The management estimated the loan will not be recouped by the collaborator within one year, nor does the Group expect to repay the funding advances within one year.

(ii) The liquidity risk of the Probio Series A and C Preferred Shares is the initial investment amount principal plus the predetermined agreed interest rate in the documents of the Series A and Series C Financing, assuming that it will be due on 3 September 2026 and 17 January 2028 respectively without any conversion into ordinary share of Probio Cayman.

(iii) The liquidity risk of the Probio Series B Preferred Shares and Bestzyme Series A Preferred Shares.

The liquidity risk of Probio Series B Preferred Shares is the initial investment amount principal plus the predetermined agreed interest rate in the documents of the Series B Financing, assuming that it will be due on 6 July 2027 without any conversion into ordinary share of Probio Cayman.

The liquidity risk of the Bestzyme Series A Capital Increase is the initial investment amount principal plus the predetermined agreed interest rate in the documents of the Series A Financing, assuming that it will be due on 25 June 2029.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The gearing ratios as at the end of the years were as follows:

	2023 US$'000	2022 US$'000
Total liabilities	**1,342,948**	1,183,715
Total assets	**3,387,302**	2,546,383
Gearing ratio	**39.6%**	46.5%

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 US$'000	2022 US$'000
NON-CURRENT ASSETS		
Loans to subsidiaries	128,626	126,398
Investments in subsidiaries	274,094	224,293
Financial assets at fair value through profit or loss	103,119	75,690
Total non-current assets	505,839	426,381
CURRENT ASSETS		
Due from subsidiaries	109,944	117,712
Prepayments, other receivables and other assets	149	997
Financial assets at fair value through profit or loss	32,600	—
Time deposits	45,166	—
Cash and cash equivalents	14,699	120,202
Total current assets	202,558	238,911
CURRENT LIABILITIES		
Due to subsidiaries	2,563	2,554
Trade and bills payables	8	39
Tax payable	356	—
Other payables and accruals	29	599
Total current liabilities	2,956	3,192
NET CURRENT ASSETS	199,602	235,719
TOTAL ASSETS LESS CURRENT LIABILITIES	705,441	662,100
NON-CURRENT LIABILITIES		
Deferred tax liabilities	163	—
Total non-current liabilities	163	—
Net assets	705,278	662,100
EQUITY		
Share capital	2,121	2,111
Treasury shares	(9,445)	(11,922)
Reserves	712,602	671,911
Total equity	705,278	662,100

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: A summary of the Company's reserves is as follows:

	Share premium US$'000	Share option reserve US$'000	Retained profits/ (accumulated losses) US$'000	Total US$'000
At 1 January 2022	651,908	15,126	9,246	676,280
Total comprehensive income for the year	—	—	(7,407)	(7,407)
Exercise of share options	7,838	(6,203)	—	1,635
Equity-settled share-based compensation arrangements	—	1,403	—	1,403
At 31 December 2022 and 1 January 2023	**659,746**	**10,326**	**1,839**	**671,911**
Total comprehensive income for the year	**—**	**—**	**(12,494)**	**(12,494)**
Exercise of share options	**5,849**	**(2,481)**	**—**	**3,368**
Equity-settled share-based compensation arrangements	**—**	**49,817**	**—**	**49,817**
At 31 December 2023	**665,595**	**57,662**	**(10,655)**	**712,602**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in Note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised or be transferred to retained profits should the related options expire or be forfeited.

45. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

46. SUBSEQUENT EVENT

No material events undertaken subsequent to 31 December 2023 and up to the date of this report that could significantly affect these consolidated financial statements.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 10 March 2024.

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