Henlius

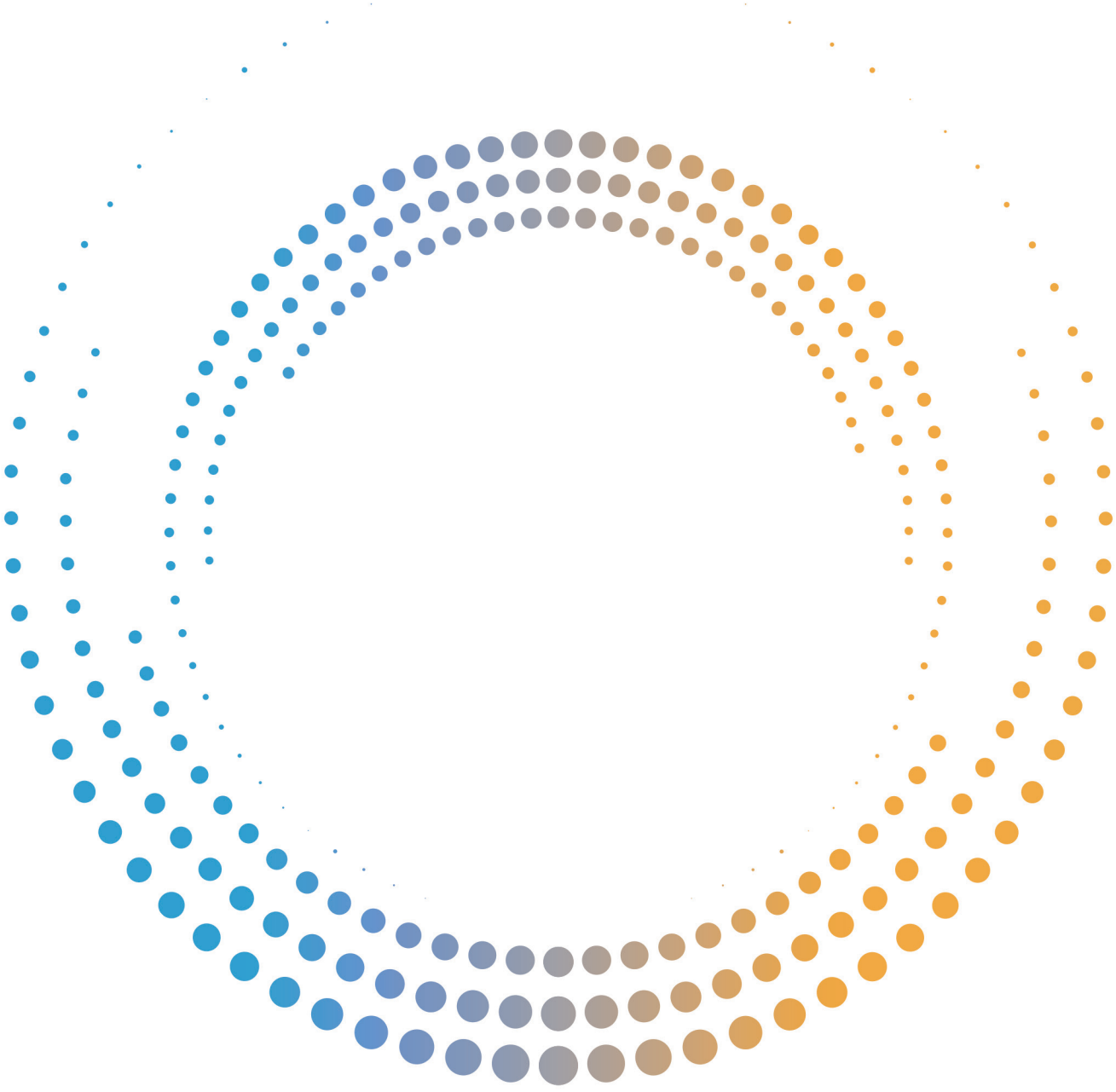
SHANGHAI HENLIUS BIOTECH, INC.
上海復宏漢霖生物技術股份有限公司

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

Stock Code: 2696

RELIABLE QUALITY
AFFORDABLE INNOVATION

2023
ANNUAL REPORT



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CORPORATE INFORMATION

DIRECTORS

Executive directors

Wenjie Zhang *(Chairman)*[1]
Jun Zhu (朱俊) *(Chief Executive Officer)*[2]

Non-executive directors

Qiyu Chen (陳啟宇)
Yifang Wu (吳以芳)
Xiaohui Guan (關曉暉)
Deyong Wen (文德鏞)
Xingli Wang[3]
Zihou Yan (晏子厚)[4]

Independent non-executive directors

Tak Young So (蘇德揚)
Lik Yuen Chan (陳力元)
Guoping Zhao (趙國屏)
Ruilin Song (宋瑞霖)

SUPERVISORS

Rongli Feng (馮蓉麗) *(Chairman)*
Deli Kong (孔德力)
Yexing Yuan (袁曄星)[5]

AUDIT COMMITTEE

Tak Young So (蘇德揚) *(Chairman)*
Lik Yuen Chan (陳力元)
Xiaohui Guan (關曉暉)

NOMINATION COMMITTEE

Wenjie Zhang *(Chairman)*
Guoping Zhao (趙國屏)
Ruilin Song (宋瑞霖)

REMUNERATION COMMITTEE

Ruilin Song (宋瑞霖) *(Chairman)*
Lik Yuen Chan (陳力元)
Yifang Wu (吳以芳)

STRATEGY COMMITTEE

Wenjie Zhang *(Chairman)*
Jun Zhu (朱俊)[2]
Qiyu Chen (陳啟宇)
Yifang Wu (吳以芳)
Deyong Wen (文德鏞)
Xingli Wang[3]
Tak Young So (蘇德揚)
Ruilin Song (宋瑞霖)
Zihou Yan (晏子厚)[4]

Notes:

1. Mr. Wenjie Zhang resigned as the chief executive officer of the Company on 17 July 2023 and will continue to serve as an executive Director and the Chairman of the Company, the Chairman of the Strategy Committee, the Chairman of the Nomination Committee and a member of the Environmental, Social and Governance Committee.
2. Mr. Jun Zhu (朱俊) was appointed as the chief financial officer of the Company on 1 May 2023, was appointed as the chief executive officer of the Company on 17 July 2023 and was appointed as an executive Director, a member of the Strategy Committee and a member of the Environmental, Social and Governance Committee on 28 August 2023.
3. Dr. Xingli Wang was appointed as a non-executive Director and a member of the Strategy Committee on 28 August 2023.
4. Mr. Zihou Yan (晏子厚) resigned as a non-executive Director, a member of the Strategy Committee and a member of the Environmental, Social and Governance Committee on 17 July 2023.
5. Mr. Yexing Yuan (袁曄星) was elected as an employee representative supervisor on 1 January 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Lik Yuen Chan (陳力元) *(Chairman)*
Tak Young So (蘇德揚)
Ruilin Song (宋瑞霖)
Wenjie Zhang
Jun Zhu (朱俊)[2]
Zihou Yan (晏子厚)[4]

JOINT COMPANY SECRETARIES

Yan Wang (王燕)
Mei Ha Wendy Kam (甘美霞) *(Fellow of the Hong Kong Chartered Governance Institute)*

AUTHORISED REPRESENTATIVES

Wenjie Zhang
Mei Ha Wendy Kam (甘美霞)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

11F, Building B8
188 Yizhou Road
Xuhui District
Shanghai
PRC[6]

REGISTERED OFFICE IN CHINA

Room 330, Complex Building
No. 222 Kangnan Road
China (Shanghai) Pilot Free Trade Zone
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

H SHARES REGISTRAR

Computershare Hong Kong Investor Services Limited
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Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR AND REPORTING ACCOUNTANTS

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

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong and U.S. laws:
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55th Floor, One Island East
Taikoo Place
Quarry Bay
Hong Kong

As to PRC law:
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288 Shi Men Yi Road
Shanghai
PRC

STOCK SHORT NAME

HENLIUS

STOCK CODE

2696

COMPANY WEBSITE

www.henlius.com

Notes:

6. Took effect from 1 December 2023.

CHAIRMAN'S STATEMENT

Wenjie Zhang
Chairman and Executive Director of Henlius

Dear Shareholders and Investors,

On behalf of the board of Directors, I am hereby pleased to present you the annual results of Henlius for the financial year ended 31 December 2023.

In 2023, with strong support from the communities and the concerted efforts of all employees, Henlius accomplished a significant milestone – achieving full-year profitability for the first time. This achievement laid a solid foundation for the Company to grow into a more scaled-up global innovative biopharmaceutical company. Indeed, 2023 saw a myriad of challenges confronting the biopharmaceutical industry. However, what doesn't kill you, makes you stronger. Adversity prompted the industry to return to clinical value, and fortified Henlius' determination to "benefit patients world-wide with high-quality biomedicines". This also embodies what we understand as the broader commercial activities of a biopharmaceutical enterprise – a process that extends scientific advancements to benefit the public, while serving as a driving force for the sustainable development of the Company.

This determination to benefit the public is embedded throughout the entire biopharmaceutical industry chain of Henlius. During the initial stages of research and development, we take future market positioning and potential into consideration while designing the optimal clinical solutions tailored to distinct market segments, thereby fostering innovation of higher quality. In production planning, we conduct forward-looking capacity planning giving top priority to timing, actively explore cutting-edge technologies, and consistently improve quality management. These efforts collectively establish a robust foundation for our products to effectively serve global patients. On the commercial side, we continuously develop an efficient team management system, refining operations across four dimensions: work methods, decision-making mechanisms, process management, and performance optimisation. This ensures that the Company's strategies are executed with optimal precision.

At the same time, "globalisation" continues to serve as the unwavering cornerstone for our development. We recognise that going global is not merely an option, but an inevitable path for biopharmaceutical enterprises. As such, we continuously build "globalisable" product attributes, "globalised" organisational capabilities, and "localised" business strategies tailored to specific regional markets. We also recognise that innovation capability is the true strength underpinning a company's global expansion. On the one hand, we continuously work on our internal innovation capabilities. On the other hand, we capitalise on collaboration to extend our reach, leveraging external forces and resources on top of our own to transform innovative value.

Market development is a winding and circuitous journey. However, I believe that its fluctuations will ultimately drive the optimisation of the industry, fostering a more rational industrial structure, and cultivating a more mature value orientation. In such a market, perhaps all we need to do is to work hard with a down-to-earth approach, and success may simply be a matter of time. We will persevere in beginning with the end in mind, work pragmatically and conscientiously, and steadfastly build our enterprise. Joining hands with our partners, we will steadily advance towards the ambitious goal of establishing ourselves as a leading innovative biopharmaceutical company in China and in the entire world.

CHIEF EXECUTIVE OFFICER'S REVIEW

Jun Zhu
Executive Director, Chief Executive Officer, and Chief Financial Officer

Dear Shareholders and Investors,

As we unveil the 2023 annual report, we are excited to present you Henlius' performance over the past year. 2023 was a year of remarkable progress and advancement for Henlius. We continued to build on ourself-sufficiency capabilities, achieving record-breaking results with a revenue of RMB5.395 billion and a net profit of RMB546 million. We achieved full-year profitability for the first time, further enhancing our comprehensive strength in R&D, manufacturing and commercialisation. So far, the Company has launched 5 products on the Chinese market and 2 products internationally, benefiting over 560,000 patients. More than 50 new drug applications have been accepted in countries and regions including China, the EU, the United States, Canada, Singapore and Thailand.

During the year, we stepped up our business expansion efforts and made considerable headway in high-quality development. The Company's product sales revenue increased significantly to approximately RMB4.554 billion. We made groundbreaking progress for core products HANQUYOU and HANSIZHUANG, further unlocking market potential. HANQUYOU has been approved for marketing in over 40 countries and regions worldwide, and achieved remarkable sales revenue of RMB2.644 billion in the Chinese market, and benefiting over 180,000 patients till now. In 2023, HANSIZHUANG, the world's first anti-PD-1 monoclonal antibody for first-line treatment of small cell lung cancer, generated revenue of RMB1.120 billion in its first full sales year. As of now, it has been approved for four indications, with the application for its fifth indication, non-squamous non-small cell lung cancer, being accepted by the NMPA. In the global market, we collaborated with partners such as KGbio and Intas to continuously grow the commercial footprint of HANSIZHUANG, extending its market reach to cover countries and regions including the Middle East, North Africa, Europe, and India. In December 2023, HANSIZHUANG took a historic stride towards globalisation with its approval for marketing in Indonesia, making it the first anti-PD-1 monoclonal antibody produced in China ever successfully approved in for marketing a Southeast Asian country.

During the year, we intensified our focus on original innovation and accelerated the commercialisation research findings. In 2023, we vigorously explored new targets and mechanisms, diversified our product portfolio into new disease fields and new molecular types, and actively advanced potential first/best-in-class innovative products such as HLX42 and HLX43 into Phase I clinical research stage. Furthermore, we successfully obtained Breakthrough Therapy Designation and Fast Track Designation for a number of products. In addition, we accelerated the international multi-centre Phase III clinical research of our independently developed products HLX11, HLX14, and HLX04-O, with plans to submit relevant marketing applications worldwide in 2024. Currently, the Company's product pipeline encompasses 59 molecules, spanning various forms of drugs including antibody, antibody-drug conjugate (ADC), fusion protein and small molecule drug, and has conducted over 30 clinical studies worldwide. We will continue to focus on the needs of clinical operations as we develop new drugs with genuinely innovative and clinical value to benefit patients worldwide.

CHIEF EXECUTIVE OFFICER'S REVIEW

During the year, we enhanced our production capacity to broaden the global availability of our products. The Xuhui Facility and Songjiang First Plant of the Company, both granted with China and EU GMP certificates, currently boast a total commercial production capacity of 48,000 Liters, enabling routinised supplies in China, Europe, and certain Latin American regions. The Company benchmarks its quality management system against the highest international standards in the United States, Europe, and China, and has passed nearly a hundred on-site inspections or audits conducted by pharmaceutical regulatory agencies in various countries and international partners. In 2023, the Company's manufacturing sites were granted GMP certificates by the Indonesia BPOM and Brazil ANVISA, both of which are members of the Pharmaceutical Inspection Co-operation Scheme (PIC/S), for key products including HANQUYOU, HANSIZHUANG, and HANLIKANG, and were again granted EU GMP certificate for the production line for HANSIZHUANG. Songjiang First Plant also underwent a pre-license inspection by the United States FDA for HANQUYOU. Quality is the cornerstone of the sustainable development of an enterprise. We will continue to strategise on production capacity expansion and utilisation initiatives, and cultivate and develop new productive forces to support our products from R&D to commercialisation.

In 2023, Henlius achieved leapfrog development in its corporate development, propelling the Company into a new journey of high-quality development. I would like to take this opportunity to express our gratitude to all shareholders and communities for their unwavering support and trust, and to all employees for their hard work and sustained efforts. Going forward, we will keep pace with the times amid revolutionary changes, continue to build on our strengths, seize development opportunities, collaborate with our partners along the value chain, and march full steam ahead in our new journey.

I. FINANCIAL SUMMARY

For the Year Ended 31 December 2023

	2023 RMB'000	2022 RMB'000
Revenue	**5,394,909**	3,214,730
Cost of sales	**(1,476,112)**	(844,621)
Gross profit	**3,918,797**	2,370,109
Other income and gains	**68,914**	105,552
Selling and distribution expenses	**(1,754,241)**	(1,049,292)
Administrative expenses	**(383,840)**	(354,038)
Impairment losses on financial assets, net	**(30,280)**	(200,791)
Research and development expenses	**(1,118,732)**	(1,394,514)
Other expenses	**(20,501)**	(65,241)
Financial costs	**(110,539)**	(105,672)
Profit before tax	**569,578**	(693,887)
Income tax expense	**(23,559)**	(1,372)
Profit for the year	**546,019**	(695,259)

The Group's total revenue increased by approximately RMB2,180.2 million or approximately 67.8% to approximately RMB5,394.9 million for the year ended 31 December 2023, compared to approximately RMB3,214.7 million for the year ended 31 December 2022. Such revenue was mainly from drug sales, R&D services provided to customers, and license income.

For the year ended 31 December 2023, the Group recognized expensed R&D expenditure of approximately RMB1,118.7 million, representing a decrease of approximately RMB275.8 million as compared to approximately RMB1,394.5 million for the year ended 31 December 2022. During the Reporting Period, the Group continued to deploy scientific and efficient R&D strategy, focus on unmet clinical needs and optimize allocation of pipeline resources.

The Group's total profit was approximately RMB546.0 million for the year ended 31 December 2023, representing an increase of approximately RMB1,241.3 million in profit from a loss of approximately RMB695.3 million for the year ended 31 December 2022, mainly due to increasing commercial sales of the core products and expanding sales volume.

II. FIVE YEARS' FINANCIAL SUMMARY

Results

	2023	2022	2021	2020	2019
			RMB'000		
Revenue	**5,394,909**	3,214,730	1,682,472	587,586	90,929
Profit before tax	**569,578**	(693,887)	(956,739)	(993,541)	(874,810)
Income tax expense	**(23,559)**	(1,372)	(27,313)	–	(655)
Profit for the year	**546,019**	(695,259)	(984,052)	(993,541)	(875,465)
Profit for the year attributable to owners of the parent	**546,019**	(695,259)	(984,052)	(993,541)	(875,465)

Assets and Liabilities

	2023	2022	2021	2020	2019
			RMB'000		
Total assets	**9,903,571**	8,924,308	7,172,844	6,439,176	5,899,817
Total liabilities	**(7,711,270)**	(7,287,976)	(4,876,088)	(3,240,404)	(1,899,402)
Net assets	**2,192,301**	1,636,332	2,296,756	3,198,772	4,000,415

III. BUSINESS HIGHLIGHTS:

1 HANQUYOU (trastuzumab for injection, European trade name: Zercepac®):

From the beginning of 2023 to date, the marketing authorisation applications of different specifications of HANQUYOU were approved in Cambodia, Singapore, Thailand, Philippines and Brazil, respectively.

In February 2023, the FDA has accepted the biologics license application (BLA) for trastuzumab for injection.

In July 2023, Health Canada accepted the New Drug Submission (NDS) for trastuzumab for injection.

2 HANSIZHUANG (serplulimab injection):

In January 2023, the new drug application (NDA) of HANSIZHUANG in combination with carboplatin and etoposide for the first-line treatment of extensive-stage small cell lung cancer (ES-SCLC) was approved by the NMPA.

In September 2023, the new drug application (NDA) of HANSIZHUANG in combination with the drug containing fluorouracil and platinum for the first-line treatment of PD-L1 positive, unresectable locally advanced/recurrent or metastatic esophageal squamous cell carcinoma (ESCC) was approved by the NMPA.

In December 2023, the new drug application (NDA) of HANSIZHUANG in combination with chemotherapy for the first-line treatment of locally advanced or metastatic non-squamous non-small cell lung cancer (NSCLC) has been accepted by the NMPA.

In March 2023, the marketing authorisation application (MAA) of HANSIZHUANG in combination with chemotherapy for the first-line treatment of extensive-stage small cell lung cancer (ES-SCLC) has been validated by the EMA.

In December 2023, HANSIZHUANG was approved by the Indonesia's National Agency for Drug and Food Control (BPOM) for the treatment of extensive-stage small cell lung cancer (ES-SCLC) (local brand name: Zerpidio®).

HANSIZHUANG was recommended by 9 guidelines, including the 2023 Guidelines of CSCO for Small-Cell Lung Cancer (《CSCO小細胞肺癌診療指南》), Guidelines of CSCO for Non-small Cell Lung Cancer (《CSCO非小細胞肺癌診療指南》), Guidelines of CSCO for Esophageal Cancer《(CSCO食管癌診療指南》), Guidelines of CSCO for Colorectal Cancer (《CSCO結直腸癌診療指南》) and Guidelines of CSCO for Immune Checkpoint Inhibitor Clinical Practice (《CSCO免疫檢查點抑制劑臨床應用指南》).

3 HANLIKANG (rituximab injection), HANDAYUAN (adalimumab injection) and HANBEITAI (bevacizumab injection):

As at the end of the Reporting Period, HANLIKANG has benefited over 230,000 patients in total in Mainland China.

In February 2024, the supplemental new drug applications for new indications of HANDAYUAN such as polyarticular juvenile idiopathic arthritis, pediatric plaque psoriasis have been accepted by the NMPA.

As at the Latest Practicable Date, HANBEITAI has been included in the medical insurance procurement platform in all provinces and has completed the tendering process on the procurement platform in 28 provinces in Mainland China.

4 Business Expansion:

In April 2023, the Company entered into an agreement with Boston Oncology, LLC, agreeing to grant a license, to commercialise HANLIKANG in the Middle East and North Africa such as Saudi Arabia, Egypt and Bahrain.

In August 2023, the Company entered into an agreement with FBD Biologics Limited, agreeing to grant a license, to use the anti-PD-L1 VHH sequence to develop, manufacture, commercialise HCB301 worldwide.

In August 2023, the Company entered into an agreement with PT Kalbe Genexine Biologics, agreeing to grant a license, to commercialise HANSIZHUANG in the Middle East and North Africa such as Saudi Arabia, the United Arab Emirates and Egypt.

In October 2023, the Company entered into an agreement with Intas, agreeing to grant a license, to commercialise HANSIZHUANG in the agreed European region and India.

5 Efficient Advancement on Clinical Study Projects both Domestically and Internationally:

– Progress of international clinical study projects

- In January 2023, the first patient in the United States has been dosed in an international multi-centre phase 3 clinical study of HANSIZHUANG in combination with chemotherapy (carboplatin/cisplatin-etoposide) and concurrent radiotherapy for the treatment of limited-stage small cell lung cancer (LS-SCLC). The first patient in Australia and the EU also have been dosed in such international multi-centre phase 3 clinical study in April and October 2023, respectively.

- As at the Latest Practicable Date, 82 sites have been set for the bridging study in the United States for HANSIZHUANG in combination with chemotherapy (carboplatin-etoposide) for the first-line treatment of extensive-stage small cell lung cancer (ES-SCLC), and the recruitment of subjects is underway.

- In February 2023, the first patient in the United States has been dosed in an international multi-centre phase 3 clinical study of HLX04-O (recombinant anti-VEGF humanised monoclonal antibody injection) for the treatment of wet age-related macular degeneration (wAMD). As at the Latest Practicable Date, in addition to the United States, the first patient has been dosed in an international multi-centre phase 3 clinical study in Mainland China, EU, Australia and other countries/regions.

- In April 2024, an international multi-centre phase 3 clinical study of a biosimilar of denosumab HLX14 (recombinant anti-RANKL human monoclonal antibody injection) for the treatment of osteoporosis in postmenopausal women at high risk for fracture has met the primary study endpoints.

– Progress of domestic clinical study projects: HANSIZHUANG (serplulimab injection)

- In February 2023, the first patient has been dosed in a phase 1b/2 clinical study of HLX208 (BRAF V600E inhibitor) in combination with HANSIZHUANG for the treatment of non-small cell lung cancer (NSCLC) in Mainland China.

- In April 2023, the phase 2 investigational new drug application (IND) of HLX26 (recombinant anti-LAG-3 humanised monoclonal antibody injection) in combination with HANSIZHUANG and chemotherapy for the first-line treatment of advanced non-small cell lung cancer (NSCLC) was approved by the NMPA, and the first patient has been dosed in such clinical trial in August 2023.

- In June 2023, the first patient has been dosed in a phase 2 clinical trial of HLX26 (recombinant anti-LAG-3 humanised monoclonal antibody injection) in combination with HANSIZHUANG for the treatment of patients with metastasis colorectal cancer (mCRC) who had previously received third-line treatment in Mainland China.

5 Efficient Advancement on Clinical Study Projects both Domestically and Internationally:

- In October 2023, the phase 3 clinical study of HANSIZHUANG in combination with chemotherapy for the first-line treatment of advanced non-squamous non-small cell lung cancer (nsNSCLC) has met the primary study endpoint and its results showed that HANSIZHUANG in combination with chemotherapy (carboplatin-pemetrexed) demonstrated the good efficacy and safety in patients with advanced non-squamous non-small cell lung cancer.

– Progress of domestic clinical study projects: other products

- In February 2023, the first subject has been dosed in a phase 1 clinical trial of HLX15 (recombinant anti-CD38 human monoclonal antibody injection) in healthy Chinese male subjects.

- In February 2023, the phase 1b/2 clinical study of HLX07 (recombinant anti-EGFR humanised monoclonal antibody injection) in combination with chemotherapy was completed in Mainland China, which demonstrated good safety and tolerability of HLX07 in the phase 1b/2 clinical study conducted in patients with advanced solid tumours.

- In April 2023, HLX208 (BRAF V600E inhibitor) for the treatment of adult Langerhans Cell Histiocytosis (LCH) and Erdheim-Chester disease (ECD) with BRAF V600E mutation has been officially granted the Breakthrough Therapy Designation by the Center for Drug Evaluation (CDE) of the NMPA.

- In June and November 2023, the investigational new drug applications (IND) of a biosimilar of Ipilimumab HLX13 (recombinant anti-CTLA-4 fully human monoclonal antibody injection) were approved by the NMPA, respectively. In December 2023, the first subject has been dosed in a phase 1 clinical trial of HLX13 in healthy Chinese male subjects.

- In July 2023, the phase 1/2 clinical study of HLX04-O (recombinant anti-VEGF humanised monoclonal antibody injection) in patients with wet age-related macular degeneration (wAMD) demonstrated good safety and tolerability, and demonstrated its preliminary efficacy.

- In October 2023, the phase 1 investigational new drug application (IND) of HLX42 for injection (antibody-drug conjugate targeting EGFR with novel DNA topoisomerase I inhibitor) for the treatment of advanced/metastatic solid tumours was approved by the NMPA, and the first patient has been dosed in such trial in March 2024. In November 2023, the phase 1 investigational new drug application (IND) of HLX42 for injection for the treatment of advanced/metastatic solid tumours was approved by the FDA. In December 2023, HLX42 for injection for the treatment of patients with advanced or metastatic EGFR-mutated non-small cell lung cancer whose disease has progressed on a third-generation EGFR tyrosine kinase inhibitor has been granted the Fast Track Designation by the FDA.

- In October 2023, the phase 1 investigational new drug application (IND) of HLX43 for injection (antibody-drug conjugate targeting PD-L1 with novel DNA topoisomerase I inhibitor) for the treatment of advanced/metastatic solid tumours was approved by the NMPA, and the first patient has been dosed in such trial in November 2023. In November 2023, the phase 1 investigational new drug application (IND) of HLX43 for injection for the treatment of advanced/metastatic solid tumours was approved by the FDA.

- In January 2024, the phase 1 clinical study of a biosimilar of denosumab HLX14 (recombinant anti-RANKL human monoclonal antibody injection) in healthy Chinese male subjects was successfully completed. The results of the study demonstrate that HLX14 has highly similar pharmacokinetics and pharmacodynamics, as well as comparable safety, tolerability and immunogenicity to the US-, EU-, and CN-sourced denosumab. This study met all of the pre-specified endpoints.

6 Efficient Advancement on Pre-Clinical Development Projects:

- In January 2023, the investigational new drug application (IND) of HLX51 (recombinant anti-OX40 humanised monoclonal antibody for injection) for the treatment of advanced/metastatic solid tumours and lymphomas was accepted by NMPA and was approved in March 2023.
- In December 2023, the investigational new drug application (IND) of HLX6018 (recombinant anti-GARP/TGF-β1 humanised monoclonal antibody for injection) for the treatment of idiopathic pulmonary fibrosis was accepted by the NMPA and approved in March 2024.
- In March 2024, the investigational new drug applications (IND) of an innovative small molecular HLX99 tablets for the treatment of amyotrophic lateral sclerosis (ALS) were accepted by NMPA.

7 Orientation toward Clinical Value and Injecting Impetus toward the Pipeline:

By centering on patients' needs, with the clinical value-oriented early R&D, the Group coordinated with early R&D teams in China and the United States, based on new drug discovery platforms driven by deep data and biocomputing accelerated molecular design technology, to continue to develop high-quality and affordable innovative drugs to treat complex diseases with the help of network biology and polypharmacology. By employing a comprehensive antibody drug technology platform to empower the development of innovative therapies, the Group was eyeing the next-generation innovative antibody drugs and antibody-based drugs. In terms of the development of antibody-drug conjugates (ADC), the Group's R&D platform Hanjugator has the ability to develop ADC products with high safety, high selectivity and high efficacy, and is able to effectively expand the application scenarios of ADC products, providing strong support for the Group in developing ADC products with differentiation advantage and significant clinical value. As at the Latest Practicable Date, the Group has a total of 59 molecules (including 48 innovative drugs and 11 biosimilar drugs) in its pipeline and 18 R&D platforms, with the forms of drug covering monoclonal antibody, bispecific antibody, ADC, recombinant protein and small molecule-drug conjugates, etc..

8 Layout of Industrialisation Base for Biomedicines with High Economic Benefit based on International Standards:

The total commercial production capacity of the Group is 48,000L (including the Xuhui Facility with a commercial production capacity of 24,000L and Songjiang First Plant with a commercial production capacity of 24,000L). During the Reporting Period, the production lines of HANSIZHUANG, HANLIKANG and HANQUYOU in the Xuhui Facility have successively passed the pre-approval GMP inspection of related products by the drug and health supervision agencies in Indonesia, Brazil and the Netherlands; Songjiang First Plant accepted the Pre-License Inspection (PLI) of HANQUYOU by the FDA; the installation and commissioning of equipment in two main production buildings of the first and second stages of the Phase I project of Songjiang Second Plant including production lines of drug substance and drug product and Prefilled Syringes System (PFS), and part of equipment verification work have been completed. The construction of the underground structure of the third stage of the Phase I project of Songjiang Second Plant was completed, and the construction of the aboveground structure began.

For details of the above, please refer to this report and (if applicable) the Company's previous announcements published on the websites of the Stock Exchange and the Company.

IV. PRODUCT PORTFOLIO AND PIPELINE

In-Market

- **HANSIZHUANG** (serplulimab)[1]
  PD-1
  MSI-H solid tumours, sqNSCLC, ES-SCLC, ESCC
- **HANLIKANG** (rituximab)[2]
  CD20
  NHL, CLL, RA[3]
- **HANQUYOU** (trastuzumab)[4]
  HER2
  Breast cancer, mGC
- **HANDAYUAN** (adalimumab)[5]
  TNF-α
  RA, AS, Ps, UV
- **HANBEITAI**(bevacizumab)[6]
  VEGF
  mCRC, advanced, metastatic or recurrent NSCLC, GBM, etc.

NDA

- **HLX10**[1] (serplulimab)+**Chemo**
  PD-1
  ES-SCLC 1L
- **HLX10**[1] (serplulimab)+**Chemo**
  PD-1
  nsNSCLC 1L
- **HLX02** (trastuzumab)[4]
  HER2
  Breast cancer, mGC
- **HANDAYUAN** (adalimumab)[5]
  TNF-α
  JIA, pediatric Ps, etc.

Phase 3

- **HLX10**[1] (serplulimab)+**Chemo**
  PD-1
  ES-SCLC 1L
- **HLX10**[1] (serplulimab)+**Chemo**
  PD-1
  Neo/adjuvant treatment for GC
- **HLX10**[1] (serplulimab)+**Chemo+Radio**
  PD-1
  LS-SCLC 1L
- **HLX04-O**[7]
  VEGF
  Wet AMD
- **HLX11** (pertuzumab)[8]
  HER2
  Neoadjuvant treatment of breast cancer
- **HLX14** (denosumab)[9]
  RANKL
  Osteoporosis
- **HLX78** (Lasofoxifene)[10]
  SERM
  Breast cancer

Phase 2

- **HLX10**[1] (serplulimab)+**HANBEITAI**
  PD-1+VEGF
  mCRC 1L
- **HLX10**[1] (serplulimab)+**HLX07**
  PD-1+EGFR
  HNSCC, NPC, GC, ESCC, sqNSCLC
- **HLX10**[1] (serplulimab)+**HLX26+Chemo**
  PD-1+LAG-3
  NSCLC 1L
- **HLX07**[11]
  EGFR
  Solid tumours (cSCC)
- **HLX22** + **HANQUYOU**
  HER2+HER2
  GC
- **HLX208**[12]
  BRAF V600E
  LCH/ECD, solid tumours (i.e. MEL, thyroid cancer, mCRC, NSCLC)
- **HLX208**[12] + **HLX10**[1] (serplulimab)
  BRAF V600E + PD-1
  NSCLC

Phase 1

- **HLX10**[1] (serplulimab)+**HLX60**[13]
  PD-1+GARP
  Solid tumours
- **HLX60**
  GARP
  Solid tumours, lymphomas
- **HLX53**
  TIGIT
  Solid tumours, lymphomas
- **HLX43**[14]
  PD-L1 ADC
  Solid tumours
- **HLX42**[15]
  EGFR ADC
  Solid tumours
- **HLX05** (cetuximab)[16]
  EGFR
  mCRC, HNSCC
- **HLX15** (daratumumab)
  CD38
  Multiple myeloma
- **HLX13** (ipilimumab)
  CTLA-4
  Melanoma, RCC, mCRC, HCC, NSCLC, MPM, EC

IND

- **HLX51**
  OX40
  Solid tumours, lymphomas
- **HLX6018**
  GARP/TGF-β1
  IPF
- **HLX17** (pembrolizumab)
  PD-1
  Melanoma, NSCLC, EC, HNSCC, CRC, HCC, TNBC
- **HLX99**
  Polypharmacology
  ALS

Innovative mAb
Innovative fusion protein
Biosimilar mAb
Innovative ADC
Innovative small molecule
Bridging study in United States
BLA under FDA review
Global multi-centre clinical trial
MAA under EMA review
The first Chinese mAb biosimilar launched in both China and the EU

HANSIZHUANG, HANLIKANG, HANQUYOU, HANDAYUAN and HANBEITAI, the core products of the Company, were all successfully launched.

(1) Approved in China and Indonesia. Business partners: KGbio, Fosun Pharma and Intas.
(2) The first biosimilar approved in China. Business partners: Fosun Pharma, Farma De Colombia, Eurofarma, Abbott and Boston Oncology.
(3) The first rituximab approved for the indication in China.
(4) Approved for marketing in 40+ countries, including China, the UK, Germany, France and Australia, trade name registered in Europe: Zercepac®, trade name registered in Australia: Tuzucip® and Trastucip®. Business partners: Accord, Cipla, Jacobson, Elea, Eurofarma, Abbott and KGbio.
(5) Business partners: Wanbang and Getz Pharma.
(6) Business partner: Eurofarma.
(7) IND approvals obtained in China, Australia, the United States, Singapore and EU countries, etc. Business partner: Essex.
(8) IND approvals obtained in China and EU. Business partner: Organon.
(9) IND approvals obtained in China, EU and Australia. Business partner: Organon.
(10) Exclusive license obtained in China. Phase 3 MRCT enrolling globally.
(11) IND approvals obtained in China and the United States.
(12) Exclusive license obtained in China.
(13) IND approvals obtained in Australia.
(14) IND approvals obtained in China and the United States.
(15) IND approvals obtained in China and the United States and granted Fast Track Designation by FDA.
(16) Business partner: Shanghai Jingze.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

As part of our commitment to provide affordable and high-quality biomedicines for patients worldwide, the Group has been dedicated to the continuous improvement of the establishment and layout of the integrated platform of R&D, production and commercialisation in 2023. With its continuous accumulation and improvement of "profitability", the Company managed to achieve good results in the first semi-annual profit and the first annual profit during the Reporting Period. Thanks to the continuous growth of sales revenue of HANQUYOU and HANSIZHUANG, our core products, favorable results in cost control of the Company's meticulous management measures, plus the orderly progress of clinical development and drug registration of pipeline products and international production capacity, the business of the Company continued to be driven into a positive cycle and with high-quality development.

As at the Latest Practicable Date, 5 products (19 indications) of the Group have been successfully marketed in Mainland China, and 2 products have been successfully marketed in Europe, Australia, Indonesia and other counties/regions. During the Reporting Period, the third and fourth indications for extensive-stage small cell lung cancer (ES-SCLC) and esophageal squamous cell carcinoma (ESCC) of HANSIZHUANG applied for marketing in Mainland China have been approved; the new drug application for extensive-stage small cell lung cancer (ES-SCLC) indication was accepted by the European Medicines Agency ("**EMA**") and approved by the Indonesia's National Agency for Drug and Food Control (BPOM) during the Reporting Period, which demonstrated the successful exploration in the international market had opened a new chapter in HANSIZHUANG benefiting patients worldwide. Since the beginning of 2023, the overseas commercialisation of HANQUYOU managed to include the markets of Thailand, the Philippines and Brazil, and its new drug applications in the United States and Canada have also been accepted.

(I) STRONG GLOBAL PRODUCT COMMERCIALISATION CAPABILITY

During the Reporting Period, the Group insisted on starting from clinical needs, actively creating a comprehensive and innovative business operation model, and continuously optimizing the commercialisation layout, achieving remarkable results. As at the end of the Reporting Period, the Group's commercialisation team was of nearly 1,500 people, promoting the commercialisation of five products, including HANQUYOU and HANSIZHUANG, in an orderly manner in Mainland China. Meanwhile, leveraging on the foresighted R&D strategy and commercialisation layout, HANQUYOU and HANSIZHUANG continue to deploy and expand overseas markets, further benefiting patients worldwide.

International commercialisation process of HANQUYOU (trastuzumab for injection, European trade name: Zercepac®) (a therapeutic product for breast cancer and gastric cancer)

– Commercial sales of HANQUYOU in Mainland China

HANQUYOU is the core product of the Group in the field of anti-tumour therapy, and also the first product sold and promoted by the Group's in-house commercialisation team in Mainland China. As at the end of the Reporting Period, the professional marketing personnel for the sales of HANQUYOU continued to penetrate the Mainland China market with efficient execution capabilities. Since the marketing of HANQUYOU, its efficient market and access provided a strong foundation for the sales growth of HANQUYOU, the flexible dose portfolio of 150mg and 60mg also brings personalised and more economical treatment options for patients with different weight ranges. It can also enhance clinical safety with its "ready-to-use" feature. During the Reporting Period, the Group cooperated with relevant enterprises in respect of medical education, medical big data, HER2 testing, innovative payment and has gained a good market reputation in the construction of diagnosis and treatment ecosystem for patients with HER2-positive breast cancer and gastric cancer.

– Commercialisation process of HANQUYOU in international markets

HANQUYOU is a trastuzumab independently developed by the Group in accordance with relevant laws and regulations of China, the EU and the United States on biosimilars. Focused on HANQUYOU, the Group has prospectively drawn up an internationally commercialised layout, cooperated with internationally renowned biomedicine enterprises, including Abbott Operations Uruguay S.R.L., Accord, Eurofarma Laboratorios S.A., PT Kalbio Global Medika, Laboratorio ELEA Phoenix S.A., etc., to fully boost market share in Europe, the United States, Canada, and other regions, as well as many emerging markets in country level, covering approximately 100 countries and regions around the world. As a representative domestic biologic to "go global", HANQUYOU has successfully been approved for marketing in over 40 countries and regions, including the United Kingdom, Germany, Spain, France, Italy, Switzerland, Australia, Singapore, Argentina, Brazil, etc..

From the beginning of 2023 to date, the marketing authorisation applications of different specifications of HANQUYOU were approved in Cambodia, Singapore, Thailand, Philippines and Brazil, respectively. In addition, in February 2023, United States Food and Drug Administration ("**FDA**") has accepted the biologics license application (BLA) for trastuzumab for injection. In July 2023, Health Canada accepted the New Drug Submission (NDS) for trastuzumab for injection, laying a foundation for the further development of HANQUYOU in overseas markets.

Four indications of HANSIZHUANG (serplulimab injection) were approved for marketing, using for the therapy for the MSI-H solid tumours, squamous non-small cell lung cancer (sqNSCLC), extensive-stage small cell lung cancer (ES-SCLC) and esophageal squamous cell carcinoma (ESCC), with a new chapter in overseas sales opened during the Reporting Period.

– Commercial sales of HANSIZHUANG in Mainland China

In Mainland China, the PD-1 monoclonal antibody product HANSIZHUANG, a core innovative product self-developed by the Group, has covered four indications since it was approved for marketing in 2022. It has become the first monoclonal antibody drug targeting PD-1 approved for first-line treatment of extensive-stage small cell lung cancer (ES-SCLC) around the world, and its differentiated advantages of focusing on small cell lung cancer are uniquely competitive in the PD-1 market. As at the end of the Reporting Period, HANSIZHUANG has completed the tendering process on the procurement platform in all provinces in Mainland China. The sales team is capable of professional communication and has considerable experience in marketing in the tumours market, which adopts meticulous management modes covering approximately 36,000 professional doctors specializing in treating lung cancer, gastrointestinal tumour and other diseases in approximately 1,800 domestic hospitals. Meanwhile, HANSIZHUANG was recommended by 9 guidelines for its excellent clinical efficacy in lung cancer, esophageal cancer, intestinal cancer and other fields, including the 2023 Guidelines of CSCO for Small-Cell Lung Cancer (《CSCO小細胞肺癌診療指南》), Guidelines of CSCO for Non-small Cell Lung Cancer (《CSCO非小細胞肺癌診療指南》), Guidelines of CSCO for Esophageal Cancer (《CSCO食管癌診療指南》), Guidelines of CSCO for Colorectal Cancer (《CSCO結直腸癌診療指南》) and Guidelines of CSCO for Immune Checkpoint Inhibitor Clinical Practice (《CSCO免疫檢查點抑制劑臨床應用指南》), and received widespread attention therefrom.

After the approvals for two indications for Microsatellite Instability-High (MSI-H) solid tumours and locally advanced or metastatic squamous non-small cell lung cancer (sqNSCLC) were obtained successively in 2022, the new drug application (NDA) for the third indication of HANSIZHUANG in combination with carboplatin and etoposide for the first-line treatment of extensive-stage small cell lung cancer (ES-SCLC) was approved by the NMPA in January 2023. In September 2023, the new drug application (NDA) for the fourth indication of HANSIZHUANG in combination with drugs containing fluorouracil and platinum for the first-line treatment of PD-L1 positive, unresectable locally advanced/recurrent or metastatic esophageal squamous cell carcinoma (ESCC) was approved by NMPA. In February 2023, the results of the phase 3 clinical study of this indication were officially published in Nature Medicine (impact factors: 82.9), an international prestigious publication. HANSIZHUANG as the treatment for this indication is also listed in the I catalogue under the strength of recommendation (evidence type: 1A) in the 2023 Guidelines of CSCO for Esophageal Cancer (《CSCO食管癌診療指南》) and Guidelines of CSCO for Immune Checkpoint Inhibitor Clinical Practice 《(CSCO免疫檢查點抑制劑臨床應用指南》). In December 2023, the new drug application (NDA) of HANSIZHUANG in combination with chemotherapy for the first-line treatment of locally advanced or metastatic non-squamous non-small cell lung cancer (NSCLC) has been accepted by the NMPA, this is the fifth indication of HANSIZHUANG applied for marketing in Mainland China. The Company will continue to deepen the multi-tumour differentiated layout of HANSIZHUANG in order to benefit more patients.

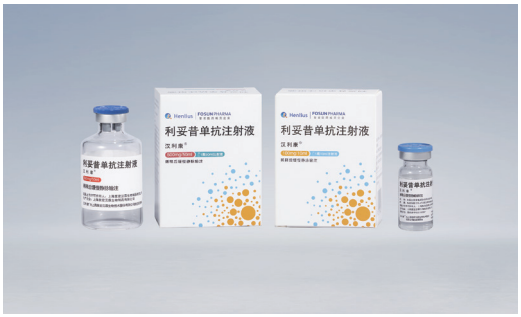
– Commercialisation process of HANSIZHUANG in the international market

With its excellent efficacy and data quality, HANSIZHUANG has also been widely acknowledged in the international market. As its licenses-out covering the United States, Europe, Southeast Asia, the Middle East and North Africa and India, the international commercialisation has been carried out in an orderly manner.

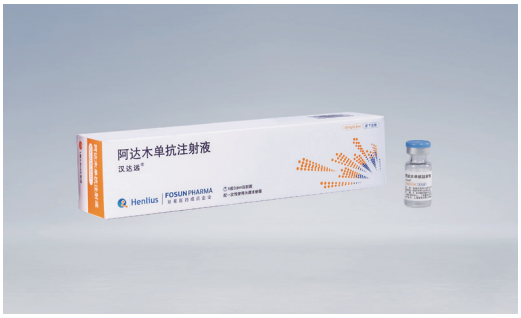
- In March 2023, the marketing authorisation application (MAA) of HANSIZHUANG in combination with chemotherapy for the first-line treatment of extensive-stage small cell lung cancer (ES-SCLC) has been validated by the EMA. In December 2023, the production lines of drug substance and drug product of HANSIZHUANG passed the GMP certification of the Netherlands, an EU Member State, these production lines have complied with the EU GMP standards, laying a solid foundation for the Group to further expand the overseas market of HANSIZHUANG. In addition, an Innovation Passport designation has been awarded to HANSIZHUANG for the treatment of extensive stage small cell lung cancer (ES-SCLC) by the United Kingdom Innovative Licensing and Access Pathway Steering Group including the Medicines & Healthcare products Regulatory Agency (MHRA) in January 2024.

- In December 2023, HANSIZHUANG was approved by Indonesia's National Agency for Drug and Food Control (BPOM) for the treatment of extensive-stage small cell lung cancer (ES-SCLC) (local brand name: Zerpidio®). This is the first time that HANSIZHUANG has been approved for marketing in the overseas market, and accordingly, HANSIZHUANG has also become the first China-made anti-PD-1 mAb approved for marketing in Southeast Asian countries. During the Reporting Period, the Group also cooperated with our business partners to submit the marketing authorisation applications of HANSIZHUANG in Thailand, Singapore, Malaysia and other countries, which further promotes the progress of commercialisation of HANSIZHUANG within Southeast Asia regions.

Steady progress of the commercial sales of HANLIKANG (rituximab injection), HANDAYUAN (adalimumab injection) and HANBEITAI (bevacizumab injection) (therapeutic products for solid tumours, hematological tumours and autoimmune diseases) contributed to the continuous revenue



Jiangsu Fosun, a subsidiary of Fosun Pharma, the controlling shareholder of the Company, was responsible for the domestic commercial sale of HANLIKANG. As the first monoclonal antibody drug approved for marketing under the Guidelines for the R&D and Evaluation of Biosimilars (Trial) (《生物類似藥研發與評價技術指導原則(試行)》) in China in 2019, HANLIKANG has benefited over 230,000 patients in total in Mainland China. HANLIKANG's indications were further expanded to the field of autoimmune diseases on the basis of covering all the indications of the original drug approved in Mainland China in the field of hematology oncology. The coverage of both types of indications will serve more patient groups.



Jiangsu Wanbang, a subsidiary of Fosun Pharma, the controlling shareholder of the Company, was responsible for the domestic commercial sale of HANDAYUAN. HANDAYUAN is the third product of the Group marketed in Mainland China, it has been approved for the indications of rheumatoid arthritis, ankylosing spondylitis, psoriasis and uveitis in Mainland China. In February 2024, the supplemental new drug applications for new indications of HANDAYUAN of polyarticular juvenile idiopathic arthritis, pediatric plaque psoriasis and etc. have been accepted by the NMPA.

Additionally, as at the end of the Reporting Period, HANBEITAI, the fourth biosimilar product of the Group approved for marketing and had commercialised sales, had covered metastatic colorectal cancer, advanced, metastatic or recurrent non-small cell lung cancer, recurrent glioblastoma, cervical cancer, as well as indications of epithelial ovarian cancer, fallopian tube cancer or primary peritoneal cancer. As at the Latest Practicable Date, HANBEITAI has been included in the medical insurance procurement platform in all provinces and has completed the tendering process on the procurement platform in 28 provinces in Mainland China.

Further promote the overseas commercialisation process of products through the licensing cooperation

The Group adhered to the internationalisation strategy. In April 2023, the Company entered into an agreement with Boston Oncology, LLC, agreeing to grant a license, to commercialise HANLIKANG in the Middle East and North Africa such as Saudi Arabia, Egypt and Bahrain. In August 2023, the Company entered into an agreement with FBD Biologics Limited, agreeing to grant a license to use the anti-PD-L1 VHH sequence to develop, manufacture, commercialise HCB301 worldwide. In August 2023, the Company entered into an agreement with PT Kalbe Genexine Biologics, agreeing to grant a license, to commercialise HANSIZHUANG in the Middle East and North Africa such as Saudi Arabia, the United Arab Emirates and Egypt. In October 2023, the Company entered into an agreement with Intas, agreeing to grant a license, to commercialise HANSIZHUANG in the agreed European region and India. The Group also continued to promote the commercialisation of existing overseas cooperation during the Reporting Period.

Meanwhile, after the comprehensive consideration of the market conditions and commercial viability, the Group entered into the termination agreement with Chiome Bioscience, Inc. during the Reporting Period in terms of terminating cooperation on the TROP2 targeted antibodies.

(II) SUSTAINABLE GLOBAL CLINICAL DEVELOPMENT CAPABILITY ON MEDICAL PRODUCTS

During the Reporting Period, based on clinical needs, the Group has orderly organised the development of innovative products. Clinical trials on the indication for products are in further process, including HANSIZHUANG (PD-1) and related combination therapies, HLX07 (recombinant anti-EGFR humanised monoclonal antibody injection), HLX04-O (recombinant anti-VEGF humanised monoclonal antibody injection), HLX42 for injection (antibody-drug conjugate targeting EGFR with novel DNA topoisomerase I inhibitor), HLX43 for injection (antibody-drug conjugate targeting PD-L1 with novel DNA topoisomerase I inhibitor) for the treatment of solid tumours, lymphomas, small cell lung cancer (SCLC), non-small cell lung cancer (NSCLC), metastatic colorectal cancer(mCRC), wet age-related macular degeneration (wAMD).

As at the end of the Reporting Period, the Group, synergising R&D centers in China and the United States, the global product development team has proceeded with its advancement over the clinical study and drug registration of many candidate drugs across the world, and achieved significant progress in 11 clinical trials and obtained 8 clinical trial approvals during the Reporting Period.

1. CONTINUOUS AND EFFICIENT ADVANCEMENT OF CLINICAL RESEARCH PRODUCT

As at the Latest Practicable Date, the Group has carried out a total of more than 30 clinical trials in an orderly manner in various countries/regions across the world.

Progress of international clinical study projects

- In January 2023, the first patient in the United States has been dosed in an international multi-centre phase 3 clinical study of HANSIZHUANG in combination with chemotherapy (carboplatin/cisplatin-etoposide) and concurrent radiotherapy for the treatment of limited-stage small cell lung cancer (LS-SCLC). The first patient in Australia and the EU also have been dosed in such international multi-centre phase 3 clinical study in April and October 2023, respectively.

- As at the Latest Practicable Date, 82 sites have been set up for the bridging study in the United States for HANSIZHUANG in combination with chemotherapy (carboplatin-etoposide) for the first-line treatment of extensive-stage small cell lung cancer (ES-SCLC), and the recruitment of subjects is ongoing.

- In February 2023, the first patient in the United States has been dosed in an international multi-centre phase 3 clinical study of HLX04-O (recombinant anti-VEGF humanised monoclonal antibody injection) for the treatment of wet age-related macular degeneration (wAMD). As at the Latest Practicable Date, in addition to the United States, the first patient has been dosed in such international multi-centre phase 3 clinical study in Mainland China, EU, Australia and other countries/regions.

- In April 2024, an international multi-centre phase 3 clinical study of a biosimilar of denosumab HLX14 (recombinant anti-RANKL human monoclonal antibody injection) for the treatment of osteoporosis in postmenopausal women at high risk for fracture has met the primary study endpoints.

Progress of domestic clinical study projects

– Progress of HANSIZHUANG (serplulimab injection)

  - In February 2023, the first patient has been dosed in a phase 1b/2 clinical study of HLX208 (BRAF V600E inhibitor) in combination with HANSIZHUANG for the treatment of non-small cell lung cancer (NSCLC) in Mainland China.

  - In April 2023, the phase 2 investigational new drug application (IND) of HLX26 (recombinant anti-LAG-3 humanised monoclonal antibody injection) in combination with HANSIZHUANG and chemotherapy for the first-line treatment of advanced non-small cell lung cancer (NSCLC) was approved by the NMPA, and the first patient has been dosed in such trial in August 2023.

  - In June 2023, the first patient has been dosed in a phase 2 clinical trial of HLX26 (recombinant anti-LAG-3 humanised monoclonal antibody injection) in combination with HANSIZHUANG for the treatment of patients with metastasis colorectal cancer (mCRC) who had previously received third-line treatment in Mainland China.

  - In October 2023, the phase 3 clinical study of HANSIZHUANG in combination with chemotherapy for the first-line treatment of advanced non-squamous non-small cell lung cancer (nsNSCLC) met the primary study endpoint and its results showed that HANSIZHUANG in combination with chemotherapy (carboplatin-pemetrexed) demonstrated good efficacy and safety in patients with advanced non-squamous non-small cell lung cancer.

– Progress of other products

  - In February 2023, the first subject has been dosed in a phase 1 clinical trial of HLX15 (recombinant anti-CD38 human monoclonal antibody injection) in healthy Chinese male subjects.

  - In February 2023, the phase 1b/2 clinical study of HLX07 (recombinant anti-EGFR humanised monoclonal antibody injection) in combination with chemotherapy was completed in Mainland China, which demonstrated good safety and tolerability of HLX07 in the phase 1b/2 clinical study conducted in patients with advanced solid tumours.

  - In April 2023, HLX208 (BRAF V600E inhibitor) for the treatment of adult Langerhans Cell Histiocytosis (LCH) and Erdheim-Chester disease (ECD) with BRAF V600E mutation has been officially granted the Breakthrough Therapy Designation by the Center for Drug Evaluation (CDE) of the NMPA.

  - In June and November 2023, the investigational new drug applications (IND) of a biosimilar of Ipilimumab HLX13 (recombinant anti-CTLA-4 fully human monoclonal antibody injection) were approved by the NMPA, respectively. In December 2023, the first subject has been dosed in a phase 1 clinical trial of HLX13 in healthy Chinese male subjects.

- In July 2023, the phase 1/2 clinical study of HLX04-O (recombinant anti-VEGF humanised monoclonal antibody injection) in patients with wet age-related macular degeneration (wAMD) demonstrated good safety and tolerability and demonstrated its preliminary efficacy.

- In October 2023, the phase 1 investigational new drug application (IND) of HLX42 for injection (antibody-drug conjugate targeting EGFR with novel DNA topoisomerase I inhibitor) for the treatment of advanced/metastatic solid tumours was approved by the NMPA, and the first patient has been dosed in such trial in March 2024. In November 2023, the phase 1 investigational new drug application (IND) of HLX42 for injection for the treatment of advanced/metastatic solid tumours was approved by the FDA. In December 2023, HLX42 for injection for the treatment of patients with advanced or metastatic EGFR-mutated non-small cell lung cancer whose disease has progressed on a third-generation EGFR tyrosine kinase inhibitor has been granted the Fast Track Designation by the FDA.

- In October 2023, the phase 1 investigational new drug application (IND) of HLX43 for injection (antibody-drug conjugate targeting PD-L1 with novel DNA topoisomerase I inhibitor) for the treatment of advanced/metastatic solid tumours was approved by the NMPA, and the first patient has been dosed in such trial in November 2023. In November 2023, the phase 1 investigational new drug application (IND) of HLX43 for injection for the treatment of advanced/metastatic solid tumours was approved by the FDA.

- In January 2024, the phase 1 clinical study of a biosimilar of denosumab HLX14 (recombinant anti-RANKL human monoclonal antibody injection) in healthy Chinese male subjects was successfully completed. The results of the study demonstrate that HLX14 has highly similar pharmacokinetics and pharmacodynamics, as well as comparable safety, tolerability and immunogenicity to the US-, EU-, and CN-sourced denosumab. This study met all of the pre-specified endpoints.

2. Efficient advancement on IND application for pre-clinical development projects

The Group attached great importance to the pre-clinical project pipeline and proactively proceeded with the investigational new drug application (IND) for products during the Reporting Period.

- In January 2023, the investigational new drug application (IND) of HLX51 (recombinant anti-OX40 humanised monoclonal antibody for injection) for the treatment of advanced/metastatic solid tumours and lymphomas was accepted by the NMPA and approved in March 2023.

- In December 2023, the investigational new drug application (IND) of HLX6018 (recombinant anti-GARP/TGF-β1 humanised monoclonal antibody for injection) for the treatment of idiopathic pulmonary fibrosis was accepted by the NMPA and approved in March 2024.

- In March 2024, the investigational new drug applications (IND) of an innovative small molecular HLX99 tablet for the treatment of amyotrophic lateral sclerosis (ALS) were accepted by NMPA.

The clinical and pre-clinical application results of the Group's products from the beginning of 2023 to the Latest Practicable Date.

Product name (targets)	Indications	Progress as at the Latest Practicable Date
Efficient advancement on international clinical projects		
HANSIZHUANG in combination with chemotherapy concurrent radiotherapy (PD-1)	Limited-stage small cell lung cancer (LS-SCLC)	In January 2023, the first patient in the United States has been dosed in an international multi-centre phase 3 clinical study In April 2023, the first patient in Australia has been dosed in an international multi-centre phase 3 clinical study In October 2023, the first patient in the EU has been dosed in an international multi-centre phase 3 clinical study
HANSIZHUANG in combination with chemotherapy (PD-1)	Extensive-stage small cell lung cancer (ES-SCLC)	As at the Latest Practicable Date, the bridging study in the United States has set up 82 sites and recruitment of subjects is ongoing
HLX04-O (VEGF)	Wet age-related macular degeneration (wAMD)	In February 2023, the first patient in the United States has been dosed in an international multi-centre phase 3 clinical study
HLX14 (RANKL)	Osteoporosis (OP)	In April 2024, an international multi-centre phase 3 clinical study has met the primary study endpoints
Smooth progress of domestic clinical projects		
HLX208 in combination with HANSIZHUANG (BRAF V600E+PD-1)	Non-small cell lung cancer (NSCLC)	In February 2023, the first patient has been dosed in a phase 1b/2 clinical trial
HLX26 in combination with HANSIZHUANG and chemotherapy (LAG-3+PD-1)	Non-small cell lung cancer (NSCLC)	In April 2023, the phase 2 investigational new drug application was approved by the NMPA In August 2023, the first patient has been dosed in a phase 2 clinical trial
HLX26 in combination with HANSIZHUANG (LAG-3+PD-1)	Metastatic colorectal cancer (mCRC)	In June 2023, the first patient has been dosed in a phase 2 clinical trial
HANSIZHUANG in combination with chemotherapy (PD-1)	Non-squamous non-small cell lung cancer (nsNSCLC)	In October 2023, the phase 3 clinical study met the primary study endpoint

Product name (targets)	Indications	Progress as at the Latest Practicable Date
HLX15 (CD38)	Multiple myeloma (MM)	In February 2023, the first subject has been dosed in a phase 1 clinical trial
HLX07 in combination with chemotherapy (EGFR)	Solid tumour	In February 2023, a phase 1b/2 clinical study was completed
HLX208 (BRAF V600E)	Adult Langerhans Cell Histiocytosis (LCH) and Erdheim-Chester disease (ECD)	In April 2023, the Center for Drug Evaluation (CDE) of the NMPA granted the Breakthrough Therapy Designation officially
HLX13 (CTLA-4)	Melanoma, renal cell carcinoma, colorectal cancer, hepatocellular carcinoma, non-small cell lung cancer, malignant pleural mesothelioma and esophageal squamous-cell carcinoma	In June 2023, the investigational new drug application for the treatment of liver cancer was approved by the NMPA In November 2023, the investigational new drug application was approved by the NMPA In December 2023, the first subject has been dosed in a phase 1 clinical trial
HLX04-O (VEGF)	wet age-related macular degeneration (wAMD)	In July 2023, the phase 1/2 clinical study was completed
HLX42 (EGFR ADC)	Solid tumour	In October 2023, the phase 1 investigational new drug application was approved by the NMPA In March 2024, the first patient has been dosed in a phase 1 clinical trial
HLX43 (PD-L1 ADC)	Solid tumour	In October 2023, the phase 1 investigational new drug application was approved by the NMPA In November 2023, the first patient has been dosed in a phase 1 clinical trial
HLX14 (RANKL)	Osteoporosis (OP)	In January 2024, the phase 1 clinical study conducted in healthy Chinese male subjects was completed

Product name (targets)	Indications	Progress as at the Latest Practicable Date
Efficient advancement of IND application for pre-clinical development projects		
HLX51 (OX40)	Solid tumour, lymphomas	In January 2023, the investigational new drug application was accepted by the NMPA In March 2023, the investigational new drug application was approved by the NMPA
HLX13 (CTLA-4)	Melanoma, renal cell carcinoma, colorectal cancer, hepatocellular carcinoma, non-small cell lung cancer, malignant pleural mesothelioma and esophageal squamous-cell carcinoma	In April 2023, the investigational new drug application for the treatment of liver cancer was accepted by the NMPA In June 2023, the investigational new drug application for the treatment of liver cancer was approved by the NMPA In August 2023, the investigational new drug application was accepted by the NMPA In November 2023, the investigational new drug application was approved by the NMPA (Already in clinical phase)
HLX42 (EGFR ADC)	Solid tumour	In August 2023, the phase 1 investigational new drug application was accepted by the NMPA In October 2023, the phase 1 investigational new drug application was approved by the NMPA In October 2023, the phase 1 investigational new drug application was accepted by the FDA In November 2023, the phase 1 investigational new drug application was approved by the FDA In December 2023, the treatment of patients with advanced or metastatic EGFR-mutated non-small cell lung cancer whose disease has progressed on a third-generation EGFR tyrosine kinase inhibitor has been granted the Fast Track Designation by the FDA (Already in clinical phase in Mainland China)

Product name (targets)	Indications	Progress as at the Latest Practicable Date
HLX43 (PD-L1 ADC)	Solid tumour	In August 2023, the phase 1 investigational new drug application was accepted by the NMPA In October 2023, the phase 1 investigational new drug application was approved by the NMPA In October 2023, the phase 1 investigational new drug application was accepted by the FDA In November 2023, the phase 1 investigational new drug application was approved by the FDA (Already in clinical phase in Mainland China)
HLX6018 (GARP/TGF-β1)	Idiopathic pulmonary fibrosis (IPF)	In December 2023, the investigational new drug application was accepted by the NMPA In March 2024, the investigational new drug application was approved by the NMPA
HLX99 (Polypharmacology)	Amyotrophic lateral sclerosis (ALS)	In March 2024, the investigational new drug applications were accepted by the NMPA

(III) ORIENTATION TOWARD CLINICAL VALUE AND INJECTING IMPETUS TOWARD THE PIPELINE

By centering on patients' needs, with the clinical value-oriented early R&D, the Group coordinated with early R&D teams in China and the United States, based on new drug discovery platforms driven by deep data and biocomputing accelerated molecular design technology, to continue to develop high-quality and affordable innovative drugs to treat complex diseases with the help of network biology and polypharmacology. By employing a comprehensive antibody drug technology platform to empower the development of innovative therapies, the Group was eyeing the next-generation innovative antibody drugs and antibody-based drugs. In terms of the development of antibody-drug conjugates (ADC), the Group's R&D platform Hanjugator has the ability to develop ADC products with high safety, high selectivity and high efficacy, and is able to effectively expand the application scenarios of ADC products, providing strong support for the Group in developing ADC products with differentiation advantage and significant clinical value.

As at the Latest Practicable Date, the Group has a total of 59 molecules (including 48 innovative drugs and 11 biosimilar drugs) in its pipeline and 18 R&D platforms, with the forms of drug covering monoclonal antibody, bispecific antibody, ADC, recombinant protein and small molecule-drug conjugates, etc.

(IV) LAYOUT OF INDUSTRIALISATION BASE FOR BIOMEDICINES WITH HIGH ECONOMIC BENEFIT BASED ON INTERNATIONAL STANDARDS

As at the end of the Reporting Period, the Group, with a total commercial production capacity of 48,000L (including the Xuhui Facility with a commercial production capacity of 24,000L and Songjiang First Plant with a commercial production capacity of 24,000L), has fully supported the commercialisation needs of products approved for marketing in Mainland China and overseas.

- Xuhui Facility, the Group's first biopharmaceutical production base in Shanghai Caohejing Hi-Tech Park has been granted with the Chinese and EU GMP certificates and achieved normalised supply in China and the EU markets. From October to December 2023, the production lines of HANSIZHUANG, HANLIKANG and HANQUYOU in the Xuhui Facility have successively passed the pre-approval GMP inspection of related products by the drug and health supervision agencies in Indonesia, Brazil and the Netherlands. Among them, the production lines of drug substance and drug product of HANSIZHUANG have passed the GMP certification of the Netherlands, an EU Member State, marking that such production lines have met the EU GMP standards, which laid a solid foundation for the Group to further expand the overseas market of HANSIZHUANG.

- Songjiang First Plant of the Group in Songjiang District, Shanghai has a commercial production capacity of 24,000L, including the liquid fill line and lyophilized preparation line. During the Reporting Period, at Songjiang First Plant, the Process Performance Qualification (PPQ) batches productions of products such as HLX04-O, HLX11 and HLX14 drug substance were completed, and the product commercialisaton process was steadily advanced. Songjiang First Plant also accepted the Pre-License Inspection (PLI) of HANQUYOU by the FDA during the Reporting Period.

- In order to meet the Group's long-term demand for commercial production capacity, the construction of the Phase I project of Songjiang Second Plant, with a total planned land area of 200 acres started in 2019. The designed production capacity for the first and second stages of this project is totaled 36,000L. The installation and commissioning of equipment in two main production buildings including production lines of drug substance and drug product and Prefilled Syringes System (PFS), and part of equipment verification work have been completed, while the remaining verification work will be implemented expeditiously. During the Reporting Period, the construction of the underground structure of the third stage of the Phase I project of Songjiang Second Plant was completed, and the construction of the aboveground structure began.

(V) Social responsibility, environmental policies and performance

Adhering to the philosophy of "Affordable Innovation, Reliable Quality", the Group has been committed to providing more affordable and high-quality medicines for global patients, and has actively fulfilled its responsibilities toward stakeholders such as patients, employees, partners, and communities. The Group took an active approach to implement the ESG management strategy, and focused its ESG efforts on corporate governance, product, talent, environment and the society. In terms of corporate governance, the Group continued to establish sound and compliant management systems, strictly restrict the conduct of businesses, and improve risk management and control ability. In terms of product, by upholding the principle of "Quality First", the Group strictly abided by high-quality standards in production and development, and was devoted to improving the affordability and accessibility of products with medical security, patient assistance programs and product layout globalisation. In terms of talents, the Group resolutely protected the legitimate rights and interests and welfare of employees. By providing staff with an all-around, three-dimensional talent training platform, coupled with a well-conceived and reasonable promotion incentive mechanism, the Group enabled its staff to grow in multiple fields. In terms of environment, the Group continued to monitor the progress of its environmental targets, and has put multiple environmental management measures into practice. On the social front, the Group continued to push ahead with "To the Time to Life", a public welfare program for cancer patients and "Rural Medical Service", a public welfare activity regarding rural medical care during the Reporting Period. It is devoted to upholding the "Patient-oriented" concept throughout the full life cycle of products and assists partners along the value chain in creating a sustainable supply chain, to actively advance industry cooperation and development.

Further information on the Group's social responsibility, environmental policies and performance is set out in the Environmental, Social and Governance Report published by the Company at the same time as this annual report.

II. OUTLOOK FOR 2024

In 2024, based on clinical needs, the Group will continue to devote itself to oncology, auto-immune diseases and other fields, and deepen product innovation, market expansion and international cooperation so that we can consolidate the internationalised capability of "integrating research, production and marketing", and achieve steady development at a larger, international, and more profitable Biopharma stage.

(I) CAPITALISE ON FIRST-ENTRANT ADVANTAGES AND INCREASE THE GLOBAL MARKET COVERAGE OF PRODUCTS

As one of the leading biopharma companies in Mainland China, the Group will continue to advance the successful commercialisation of more products in an all-round efficient commercial operation model, providing global patients with biological drugs of affordable price and high quality.

- HANQUYOU is the Group's first core anti-tumour product promoted and sold within Mainland China as led by its in-house commercialisation team. In 2024, with the current market strength, the Group will consolidate the market share and continuously develop market potential at all levels based on dual-specification (both 150mg and 60mg) of HANQUYOU with international quality.

- HANSIZHUANG is one of the Group's core innovative monoclonal antibody products. In 2024, the Group plans to further expand the sales team of HANSIZHUANG, and set up a dedicated sales team for gastrointestinal tumours in response to the latest approved indication of esophageal squamous cell carcinoma (ESCC), thereby grasping the market potential of HANSIZHUANG in gastrointestinal tumours market to the maximum extent possible. While making marketing and sales planning, the Group will team up with business partners to develop full process solutions for the management of patients, and further explore commercial insurance and the feasibility of innovative payments, thus improving medication compliance and the standard treatment rate of patients.

- The Group commenced the commercial sales of HANBEITAI since 2023 and would further promote and implement the sales of it in 2024.

- Jiangsu Fosun and Jiangsu Wanbang, subsidiaries of Fosun Pharma, the controlling shareholder of the Company, are responsible for the domestic commercial sale of HANLIKANG and HANDAYUAN, respectively. In 2024, the Group will maintain close cooperation with Jiangsu Fosun and Jiangsu Wanbang, thereby promoting the sustained growth of sales.

While actively expanding the domestic market, the Group will constantly promote the business cooperation of its self-developed products in the international market. With the continuous progress made in the R&D and registration of pipeline products of the Group and the gradual recognition of the Group's products in the international market, the Group will continuously depend on the commercial capability of international partners in their own field to jointly expand our products into broader international markets, especially emerging markets with huge unmet medical needs for affordable drugs, which will benefit patients overseas.

In August 2023, the Company entered into a Framework Agreement in relation to the Acquisition of DDL Licensed Company with Baodao Pharmaceutical to acquire 100% equity interests of the subsidiary with a pharmaceutical business license, which is wholly-owned by Baodao Pharmaceutical. The transaction was completed in March 2024, and the Company will be able to commercialise more in-licensing products in Mainland China and is expected to bring more business opportunities to the Company.

(II) CONTINUE TO FACILITATE THE APPROVALS OF PIPELINE PRODUCTS WORLDWIDE

As at the Latest Practicable Date, 5 products of the Group have been successfully marketed in Mainland China, Europe, Australia, Indonesia and other countries/regions. In 2024, the Group will continuously promote the marketing approval process of more products in the global market with experiences gained along the way.

- The marketing authorisation application (MAA) for HANSIZHUANG in combination with chemotherapy for the first-line treatment of adult patients with extensive-stage small cell lung cancer (ES-SCLC) is expected to be approved in the EU in 2024.

- The biologics license application (BLA) for HANSIZHUANG in combination with chemotherapy for the treatment of the indication of extensive-stage small cell lung cancer (ES-SCLC) is scheduled to be submitted in the United States in 2024.

- The biologics license application (BLA) for HANQUYOU for adjuvant treatment of HER2 overexpressing breast cancer, the treatment of HER2 overexpressing metastatic breast cancer and the treatment of HER2 overexpressing metastatic gastric or gastroesophageal junction adenocarcinoma is expected to be approved in the United States in 2024.

- New Drug Submission (NDS) for HANQUYOU with the treatment for the indications including HER2-positive early-stage breast cancer, is expected to be approved in Canada in 2024.

- In 2024, the Group will also proactively cooperate with international partners to facilitate the marketing approval process in terms of HANLIKANG, HANDAYUAN, HANBEITAI, HLX04-O, HLX11, HLX14 in the United States, EU, Canada, Saudi Arabia, Brazil and other countries and regions.

(III) CONTINUE TO EXPAND PRODUCT PIPELINE BASED ON PATIENTS' NEEDS THROUGH ITERATING R&D CAPABILITIES

The Group will continue to leverage international resources and advantages to explore cutting-edge innovative products with clinical value, and deepen the early R&D results, while rapidly empowering and expanding the pipeline of the Group by project cooperation, with a view to addressing unmet clinical needs as soon as possible. In 2024, the Group's pipeline products are expected to be further promoted and expanded:

- The investigational new drug applications (IND) of HLX99 tablets, innovative small molecules, for the treatment of amyotrophic lateral sclerosis (ALS) are expected to be approved by the NMPA in the first half of 2024.

- The investigational new drug application (IND) of HLX78 (Lasofoxifene) is expected to be approved by the NMPA in the first half of 2024. The Group licensed-in the product from Sermonix Pharmaceuticals, Inc. in January 2024 to acquire the rights of development, production and commercialisation in Mainland China and for intended treatment of breast cancer.

(IV) MAINTAIN INTERNATIONAL HIGH QUALITY STANDARDS AND CONTINUE TO PROMOTE INDUSTRIALISATION DEPLOYMENT

The Group proactively plans the construction of production bases and the expansion of production capacity in accordance with the process of product R&D and marketing, providing a strong guarantee for the commercial sales of products. The Group's Xuhui Facility will continue to adopt a series of lean management and process optimization measures to ensure the stability and efficiency of international commercial production. In 2024, Songjiang First Plant will continuously improve the international standard quality system and plans to complete the GMP compliance inspection of HLX14 before its launch in the EU and the inspection for drug manufacturing of HLX04-O and HLX11 in Mainland China.

Songjiang Second Plant Phase I Project is expected to complete completion acceptance in 2024 and its batch production of Second Generation Process performance qualification (PPQ) of HANSIZHUANG is expected to be completed in 2024. Verification of facilities at each stage of the Songjiang Second Plant Phase I Project will be gradually facilitated based on the business needs of the Group. The Group will promote the construction and operation of the Songjiang Second Plant as soon as possible. When completed, the Songjiang Second Plant will become the R&D, pilot test and production base for monoclonal antibody biological drugs of the Group. This will further enhance the market competitiveness of the Group in its core business areas and meet the global commercial production needs of the Group's products.

III. FINANCIAL REVIEW

(I) REVENUE

During the Reporting Period, the Group gradually enlarged its competitive advantages by leveraging its first-mover advantages and differentiated layout in innovative research and development. With the professional and efficient commercialisation team actively promoting the all-round innovative business operation model, the Group has achieved excellent commercialisation results, which has also demonstrated the value of the Group's integrated research, production and marketing platform and its self-sustaining cash flow. During the Reporting Period, HANQUYOU and HANSIZHUANG, the two core products of the Group in the field of anti-tumour therapy that was promoted and sold by the Group's in-house commercialisation team in Mainland China, led the continuous rapid growth of the Group's revenue.

As an international and innovative biopharmaceutical company, the Group continued to implement its innovation strategy. Through strengthening cooperation with first-class academic institutions around the world and building more new strategic partnerships to jointly explore technological innovation and the application of cutting-edge technologies, the Group expanded the global R&D layout, and accelerated the transformation and application of more innovative achievements through "both internal and external development". During the Reporting Period, the Group cooperated with partners to expand overseas markets with remarkable results in delivering benefits to patients around the world, brought in considerable R&D service income and licensing income, and opened up new growth space for internationalization.

During the Reporting Period, the Group realised an operating income of RMB5,394.9 million, representing an increase of 67.8% compared to the same period in the last year, and the main revenue components are as follows:

1) **REVENUE FROM PRODUCT SALES:**

HANQUYOU (trastuzumab for injection) was the first domestic trastuzumab approved for marketing independently developed by the Group and was also the first product of the Group to adopt its inhouse team to conduct commercialisation promotion. It was commercially available in the domestic market in August 2020. During the Reporting Period, HANQUYOU recorded a sales revenue of approximately RMB2,644.4 million, representing a rapid increase of approximately RMB950.0 million or approximately 56.1% as compared to the same period in the last year.

HANSIZHUANG (serplulimab) was the first self-developed and approved bioinnovative drug of the Group and was commercially available in the domestic market in March 2022. The approval of HANSIZHUANG will further enrich the Group's commercial product line and will also bring more treatment options for domestic patients. During the Reporting Period, HANSIZHUANG recorded sales revenue of approximately RMB1,119.8 million, representing a dramatic increase of approximately RMB780.7 million or approximately 230.2% as compared to the same period in the last year.

HANBEITAI (bevacizumab) is the fourth biosimilar product of the Group approved for marketing in Mainland China and commercialised by the Group's in-house team. It was commercially available in the domestic market in January 2023. During the Reporting Period, HANBEITAI recorded sales revenue of approximately RMB119.4 million.

In respect of HANLIKANG (rituximab), according to the cooperation agreement with Fosun Pharma, Fosun Pharma would reimburse all the expenses related to the clinical trials of HANLIKANG incurred by the Group after the relevant cooperation agreement was signed, and the Group was responsible for the production of HANLIKANG in China and the supply of HANLIKANG to Fosun Pharma after the commercialisation of HANLIKANG, and shall share the profits from the sales of HANLIKANG in China. During the Reporting Period, the Group recorded sales revenue of approximately RMB518.6 million, and licensing income of approximately RMB21.9 million under the aforementioned profit-sharing arrangement with its partners.

In respect of HANDAYUAN (adalimumab), according to the cooperation agreement with Fosun Pharma, Fosun Pharma would reimburse all the expenses related to the clinical trials of HANDAYUAN incurred by the Group after the relevant cooperation agreement was signed, and the Group was responsible for the production of HANDAYUAN in China and the supply of HANDAYUAN to Fosun Pharma after the commercialisation of HANDAYUAN, and shall share the profits from the sales of HANDAYUAN in China. During the Reporting Period, HANDAYUAN recorded sales revenue of approximately RMB58.6 million under the aforementioned profit-sharing arrangement with its partners.

Zercepac® (trastuzumab, European brand name) recorded revenue of approximately RMB69.5 million during the Reporting Period, and drug substance of trastuzumab recorded sales revenue of approximately RMB23.1 million in international market.

2) Revenue from joint development and technology transfer/commercialisation licensing

Since its establishment, the Group has adhered to an international vision and focused on clinical needs. While deepening the differentiated innovation strategy, the Group has gradually established an international standard quality control system and accumulated extensive experience in international registration in large-scale international multi-centre phase 3 clinical trials. With the continuous implementation of the internationalization and innovation strategy, the Group's influence in the international market is growing, the number and overall amount of licensed-out projects are constantly expanding. During the Reporting Period, the Group also carried out business cooperation with many partners around the world based on various projects, including intellectual property licensing, joint development, commercial authorisation, etc.

In June 2018, the Group entered into a license agreement with Accord in relation to HANQUYOU (European brand name: Zercepac®), granting Accord exclusive commercialisation rights in special territories as agreed therein. In July 2020, the marketing authorisation application of Zercepac® submitted by a wholly-owned subsidiary of Accord was approved. Since then, Zercepac® has been the first "Chinese" monoclonal antibody biosimilar drug approved for sale in the EU. The Group has recognised licensing revenue of approximately RMB6.0 million for the 12 months ended 31 December 2023.

In September 2019, the Group entered into a co-development and commercialisation agreement with PT Kalbe Genexine Biologics in relation to HANSIZHUANG (serplulimab). With the continuous advancement of R&D services, the Group has recognised revenue from R&D services of approximately RMB59.6 million for the 12 months ended 31 December 2023.

In October 2020, the Group entered into a co-development and exclusive license agreement with Essex Bio-Investment Limited and Zhuhai Essex Bio-Pharmaceutical Co., Ltd.* (珠海億勝生物製藥有限公司) in relation to the HLX04-O (recombinant humanised anti-VEGF monoclonal antibody injection) independently developed by the Group. The Group has recognised revenue from R&D services of approximately RMB112.7 million for the 12 months ended 31 December 2023.

In June 2022, the Group entered into a license and supply agreement with Organon LLC, granting Organon LLC and its affiliates exclusive right to commercialise two products independently developed by the Group, being HLX11 (recombinant anti-HER2 domain II humanised monoclonal antibody injection) and HLX14 (recombinant anti-RANKL human monoclonal antibody injection) worldwide except for China, fully covering the United States., EU, Japan and other major biomedicine markets and many emerging markets. The Group has recognised revenue from R&D services of approximately RMB311.8 million for the 12 months ended 31 December 2023.

In November 2022, the Group entered into a license agreement with Fosun Pharma Industrial Development, granting it the equity of exclusive commercialisation of HANSIZHUANG (serplulimab) independently developed by the Group in the United States. The Group has recognised revenue from R&D services of approximately RMB171.6 million for the 12 months ended 31 December 2023.

In October 2023, the Group entered into a license agreement with Intas in relation to HANSIZHUANG (serplulimab), granting Intas exclusive developing and commercial rights in special territories as agreed therein. The Group has recognized licensing revenue of approximately RMB111.1 million for the 12 months ended 31 December 2023.

3) Revenue from other R&D service businesses

In February 2022, the Group entered into a technical service contract with Shanghai Zhenge Biotech Co., Ltd.* (上海臻格生物技術有限公司) in relation to the study and production of freeze-dried formulation at IND stage, an antibody drug under development. With the continuous advancement of technical service, the Group recognised revenue from R&D service of approximately RMB1.0 million for the 12 months ended 31 December 2023.

In September 2022, the Group entered into a technical service contract with Shanghai KangaBio Co., Ltd. in relation to CMC services such as cell library construction and toxicology research for an innovative drug being developed by it. With the continuous advancement of technical services, the Group recognised revenue from R&D services of approximately RMB9.5 million for the 12 months ended 31 December 2023.

In November 2022, the Group entered into the Clinical Trial Research Services Agreement with Henan Genuine Biotech Co., Ltd.* (河南真實生物科技有限公司) and Fosun Pharma Industrial Development in relation to provision of clinical trial research services regarding the prevention of SARS-Cov-2 of Azvudine. For the 12 months ended 31 December 2023, the Group recognised revenue from R&D service of approximately RMB30.3 million.

In June 2023, the Group entered into the CMC Technical Services Framework Agreement with Fosun Pharma Industrial Development. With the continuous advancement of technical services, the Group recognised revenue from R&D services of approximately RMB1.1 million for the 12 months ended 31 December 2023.

(II) Cost of sales

Cost of sales of the Group primarily represents reagents and consumables, employee compensation, outsourcing fees, utilities expenses and depreciation and amortisation. For the 12 months ended 31 December 2023, the Group recorded cost of sales of approximately RMB1,476.1 million, representing an increase of approximately RMB631.5 million as compared with that for the 12 months ended 31 December 2022, due to the increase in the cost of R&D services and the increase of the sales volume of the key commercial product markets during the Reporting Period as the continuous advancement of R&D services.

(III) Gross profit

For the 12 months ended 31 December 2023, the Group recorded a gross profit of approximately RMB3,918.8 million, representing an increase of approximately RMB1,548.7 million as compared with that for the 12 months ended 31 December 2022, mainly due to the continuous growth of sales from HANQUYOU and HANSIZHUANG, the key commercial products of the Group.

(IV) OTHER INCOME AND GAINS

Other income of the Group mainly included government grants and bank interest income. Government grants included (1) government grants for capital expenditure in relation to the purchase of machinery and equipment (recognised over the useful life of the relevant assets); (2) incentives for R&D activities and other grants (recognised after satisfying certain conditions imposed by the government).

During the Reporting Period, the Group recognised other income and gains of approximately RMB68.9 million.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants	**59,814**	69,043
Exchange gains	**(1,421)**	32,919
Interest income	**8,146**	3,571
Others	**2,375**	19
Total	**68,914**	105,552

(V) R&D EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Expensed R&D expenses		
R&D employee salaries	**333,275**	460,783
Outsourcing fees	**120,180**	296,959
Clinical trials	**299,424**	212,151
Reagents and consumables	**128,878**	134,850
Depreciation and amortisation	**65,661**	94,059
Consulting expense	**25,676**	51,430
Technology expense	**62,020**	45,288
Utilities expenses	**11,640**	19,161
Share-based compensation	**161**	1,446
Others	**71,817**	78,387
Total expensed R&D expenses	**1,118,732**	1,394,514
Capitalised R&D expenses		
Clinical trials	**84,333**	519,408
R&D employee salaries	**125,791**	153,850
Outsourcing fees	**27,852**	24,227
Depreciation and amortisation	**21,217**	23,890
Reagents and consumables	**29,849**	15,020
Consulting expense	**677**	3,263
Utilities expenses	**4,668**	1,380
Share-based compensation	**38**	707
Others	**20,486**	46,943
Total capitalised R&D expenses	**314,911**	788,688

For the 12 months ended 31 December 2023, the Group recognised R&D expenses of approximately RMB1,433.6 million, representing a decrease of approximately RMB749.6 million as compared to approximately RMB2,183.2 million for the 12 months ended 31 December 2022, mainly due to (1) the development expenditures under the contracts are included in cost of R&D service after certain projects were licensed out, thereby reducing their own R&D expenses; and (2) during the Reporting Period, the Group continued to deploy scientific and efficient R&D strategy, focus on unmet clinical needs and optimize allocation of pipeline resources. Such R&D expenses was mainly due to advancing technology platform innovation, IND application and clinical trials for new drugs to accelerate the Group's innovation and transformation.

(VI) Administrative expenses

Administrative expenses mainly included administrative staff costs, office administrative expenses, depreciation and amortisation, audit and consulting fees, etc.

For the 12 months ended 31 December 2023, the Group recognised administrative expenses of approximately RMB383.8 million, representing an increase of approximately RMB29.8 million as compared with that of approximately RMB354.0 million for the 12 months ended 31 December 2022. The increase in administrative expenses of the Group was mainly due to: (1) the increase in the cost of the administrative staff with the expansion of the operations and development of the Group; and (2) the corresponding increase in depreciation costs, lease payments, travel expenses and conference expenses to improve operational efficiency.

(VII) Selling and distribution expenses

Selling and distribution expenses of the Group mainly included salaries, promotional expenses and other expenses.

For the 12 months ended 31 December 2023, the Group recognised selling and distribution expenses of approximately RMB1,754.2 million, which were mainly the marketing expenses incurred in continuous sales growth of HANQUYOU, HANSIZHUANG and the marketing and selling of HANBEITAI. Among which, the marketing expenses ratio of HANQUYOU in domestic market has been decreasing over the years, reaching 30% in 2023.

(VIII) Other expenses

For the 12 months ended 31 December 2023, the Group recognised other expenses of approximately RMB20.5 million, which mainly included provision for loss on devaluation of inventories of raw materials, semi-finished products and finished products.

(IX) Income tax expense

For the 12 months ended 31 December 2023, the Group incurred income tax expense of approximately RMB23.6 million.

(X) Profit for the year

In view of the above, the Group recorded an increase of approximately RMB1,241.3 million in profit from a loss of approximately RMB695.3 million for the year ended 31 December 2022 to a profit of approximately RMB546.0 million for the year ended 31 December 2023.

(XI) LIQUIDITY AND CAPITAL RESOURCES

As of 31 December 2023, cash and bank balances of the Group were approximately RMB987.7 million, mainly denominated in Renminbi ("**RMB**"), United States Dollars ("**USD**"), New Taiwan Dollars ("**NTD**"), Hong Kong Dollars ("**HKD**") and Euro ("**EUR**"), compared to cash and bank balances of the Group of approximately RMB680.5 million as of 31 December 2022, representing an increase of approximately RMB307.2 million.

As of 31 December 2023, the current assets of the Group were approximately RMB2,676.0 million, including cash and cash equivalents of approximately RMB867.7 million, fixed time deposits of approximately RMB120.0 million, inventories of approximately RMB757.4 million, trade receivables of approximately RMB647.8 million, contract assets of approximately RMB82.4 million, and other receivables of approximately RMB200.7 million.

As of 31 December 2023, the current liabilities of the Group were approximately RMB5,067.4 million, including trade payables of approximately RMB544.8 million, other payables and accruals of approximately RMB1,255.3 million, contract liabilities of RMB466.9 million and interest-bearing bank and other borrowings of approximately RMB2,800.4 million.

As at 31 December 2023, the bank balances in foreign exchange were as follows:

	RMB'000
RMB	**575,536**
HKD	**5,719**
USD	**399,755**
EUR	**2,868**
NTD	**3,787**

	Original amount '000
RMB	**575,536**
HKD	**6,311**
USD	**56,434**
EUR	**365**
NTD	**16,364**

(XII) INVENTORIES

Inventories of the Group amounted to approximately RMB757.4 million as at 31 December 2023, basically in line with approximately RMB757.3 million as at 31 December 2022.

(XIII) TRADE RECEIVABLES

As at 31 December 2022 and 31 December 2023, trade receivables from customer contracts were approximately RMB455.5 million and RMB647.8 million, respectively. There were no changes in accounting estimates or key assumptions made in both years.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 3 months	**635,950**	373,226
3 to 6 months	**11,878**	114
6 to 12 months	**–**	20,877
1 to 2 years	**–**	61,292
Total	**647,828**	455,509

(XIV) INTEREST-BEARING BANK AND OTHER BORROWINGS

As of 31 December 2023, borrowings from bank and other institutions (exclusive of lease liabilities) of the Group were approximately RMB3,819.6 million. The Group incurred new borrowings for the following reasons: ongoing clinical research trials and preclinical research for drug candidates, selling expenses of commercialisation of products, plant construction and normal operating expenses. The borrowings of the Group were denominated in RMB.

Such borrowings bear interest at fixed annual and floating interest rates. There is no significant seasonal impact on the Group's borrowing requirements.

(XV) MATURITY STRUCTURE OF OUTSTANDING DEBTS

The following table sets forth the maturity structure of outstanding debts as at 31 December 2023 and 31 December 2022, of which lease liabilities were recognised in accordance with IFRS 16 – Leases.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within one year	**2,800,377**	2,522,155
In the second year	**213,288**	155,864
In the third to fifth year (inclusive)	**899,218**	704,137
Over five years	**180,168**	294,939
Total	**4,093,051**	3,677,095

(XVI) COLLATERAL AND PLEDGED ASSETS

As at 31 December 2023, the Group's pledged assets in relation to borrowings included property, plant and equipment of approximately RMB907.5 million and land use right of approximately RMB192.6 million.

(XVII) KEY FINANCIAL RATIOS

	31 December 2023	31 December 2022
Current ratio[1]:	**52.8%**	43.8%
Quick ratio[2]:	**37.9%**	28.7%
Gearing ratio[3]:	**59.5%**	64.7%

Notes:

(1) Current ratio is calculated as current assets divided by current liabilities as at the same day.

(2) Quick ratio is calculated as current assets minus inventories and then divided by current liabilities as at the same day.

(3) Gearing ratio is calculated as net debt divided by equity attributable to owners of the parent plus net debt, multiplied by 100%. Net debt represents the balance of indebtedness less cash and cash equivalents as at the end of the period.

(XVIII) MATERIAL INVESTMENT

In order to satisfy the expected market demand for drug candidates, the Group is currently constructing a new manufacturing facility in Shanghai, the Songjiang Second Plant, to significantly increase our overall production capacity. We designed the Songjiang Second Plant to incorporate substantially similar manufacturing equipment, technologies and processes as those being used and to be implemented at our Xuhui Facility. This project is expected to become the monoclonal antibody biological drug R&D, pilot test and production base of the Group when completed, which is conducive to further strengthening the Group's R&D capabilities in the field of biomedicine (especially monoclonal antibody biomedicine) and meeting the global commercial production needs of the Group's biosimilar and bioinnovative products.

The Group is expected to invest not more than RMB2.54 billion for the construction of the Phase I project of the Songjiang Second Plant (first stage, second stage and third stage). As at the end of the Reporting Period, the facility is under construction and the subsequent stages of construction will be gradually carried out based on the strategy of the Group. The capital expenditure of the construction of the Songjiang Second Plant will be mainly funded through debt financing.

(XIX) CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Construction in progress	**472,846**	624,228
Plant and machinery	**52,046**	45,116
Electronic equipment	**11,574**	29,142
Leasehold improvements	**35,589**	13,754
Total	**572,055**	712,240

We had capital commitments for plant and machinery contracted but not provided for of approximately RMB209.3 million as at 31 December 2023. These capital commitments primarily relate to expenditures expected to be incurred for the purchase of machinery, renovation of our existing laboratories and buildings and the R&D expenditure to be capitalised.

(XX) Contingent liabilities

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

(XXI) Material acquisitions and disposals

As at 31 December 2023, the Group did not have any material acquisitions and disposals.

(XXII) Dividends

The Group did not pay or declare any dividends for the year ended 31 December 2023.

IV. RISK MANAGEMENT

(I) Foreign exchange risk

As at 31 December 2023, the Group was principally engaged in business in the PRC, in which most of the transactions were settled in RMB with no significant foreign exchange risk. No financial instrument for hedging foreign exchange risk or other hedging purposes was employed.

(II) Exchange rate risk

Currently, the major business operation of the Group is in the PRC and most of the revenue and expenses are settled in RMB, which is the Group's reporting currency. With the acceleration of the Group's development in overseas markets, it is expected that the sales revenue and licensing revenue denominated in USD and EUR will increase in the future. Fluctuations in exchange rates may affect the Group's cash flows, revenue, earnings and financial position.

(III) Potential risks

1. Market Risk

The biologics market is highly competitive, and the Group's existing commercialised products and products that may be commercialised in the future face competition from pharmaceutical companies around the world in respect of various factors such as indication treatment, drug novelty, drug quality and reputation, breadth of drug portfolio, manufacturing and distribution capacity, drug price, breadth and depth of customer coverage, consumer behaviour and supply chain relationships. The Group's ability to remain competitive depends to a large extent on our ability to innovate, develop and promote new products and technologies that meet market needs in a timely manner to capture market share. At the same time, in October 2020, in the "Response to the Recommendation of No. 6450 of the Third Session of the 13th NPC", the National Healthcare Security Administration stated that centralised volume-based procurement will commence at an appropriate time, after considering the factors of the biosimilar similarity, production capacity and supply chain stability of companies and the clinical substitutability of specific products. In March 2023, the National Healthcare Security Administration issued the "Notice on Improving the Centralised Procurement and Price Management of Pharmaceuticals in 2023", proposing to continue to expand the coverage of centralised drug procurement, focusing on varieties that have not been included or evaluated in the national centralised procurement in respect of the centralised drug procurement at the provincial level, actively exploring the "blank" variety centralised procurement that has not yet been included in the national or provincial centralised procurement, and encouraging price linkage with volume for varieties that have already been centralised at the provincial level and have sufficient price competition. Currently, certain monoclonal antibody (mAb) biosimilars have already been included in the scope of centralised drug procurement at some provincial levels, but centralised drug procurement at the national level has not been conducted on monoclonal antibody (mAb) biosimilars. If any of our products and products of our competitors were chosen to participate in tenders and be included in centralised volume-based procurement, it may have a potential impact on the pricing of the drugs to some extent.

2. Business and Operational Risk

The global biologics market is constantly evolving, and the Group invests significant amounts of human and capital resources for R&D, to develop, enhance or acquire technologies that will allow the Group to expand the scope and improve the quality of the services. Currently, the commercially available products of the Group include: HANLIKANG, HANQUYOU, HANDAYUAN, HANBEITAI and HANSIZHUANG. Most of the Group's drug candidates are still under development and are in the clinical development stages, and the course of clinical development involves a lengthy and expensive process with uncertainties in various aspects, as there can be no assurance from the Group for the development and clinical results. Furthermore, if the clinical development and regulatory approval process of the drug candidates are delayed or terminated, the successful development and commercialisation of the Group's drug candidates in a timely manner may be adversely affected.

3. Force Majeure Risk

Our business, financial condition and results of operations may be materially and adversely affected by natural disasters or other unanticipated catastrophic events such as earthquakes, fires, terrorist attacks and wars. For example, the ability of our facilities to operate may be impaired, our equipment may be damaged, the development timeline of our drug candidates may be prolonged and even there may be a decrease in the demand for our products. The occurrence of any such event could adversely affect our business and financial condition.

V. EMPLOYEES AND REMUNERATION POLICIES

The following table sets forth the breakdown of our employees by function as at 31 December 2023:

Function	Number of employees
R&D and technology	1,035
Manufacturing	889
Commercial Operation	1,445
General and administrative	268
Total	3,637

The individual employment contracts entered into by the Group with our employees set out terms such as salaries, bonuses, grounds for termination and confidentiality. Employment contracts with our R&D personnel also typically contain a non-competition agreement. The Group also provides benefits to our employees as part of their compensation package which we believe are in line with industry norms. For example, PRC-based employees are entitled to employee benefits as mandated by the PRC Social Insurance Law and Regulations on the Administration of Housing Provident Fund, including pension, basic medical insurance, maternity insurance, work-related injury insurance, unemployment insurance and housing provident fund. To stay competitive in the market for talents, the Group has also adopted share award schemes to give incentives to our employees. The Group emphasizes on-the-job training as a constant and ongoing objective for the employees. All employees participate in formal training on an annual basis, where the Group focuses on the latest technical developments and updates in regulatory requirements.

REPORT OF THE BOARD OF DIRECTORS

REPORT OF THE BOARD OF DIRECTORS

The Board is pleased to present its 2023 annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Group is principally engaged in (i) R&D, production and sale of monoclonal antibody (mAb) drugs and the provision of related technical services (except for the development and application of human stem cells, genetic diagnosis and therapy technology) and (ii) the transfer of its own technology and provision of the related technology consultation services.

Details of the principal activities of the subsidiaries of the Company are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 are set out in the Consolidated Statement of Profit or Loss on page 99.

The Board does not recommend a final dividend for the Reporting Period.

PROFIT DISTRIBUTION PLAN

The Company has adopted a profit distribution administration policy. According to the policy, the Company may distribute its dividend by means of cash, shares or a combination of cash and shares, and will give priority to distribution of cash dividends. Subject to the full distribution of cash dividends and a reasonable equity size and shareholding structure of the Company, the Company may make profit distribution by allocating dividend in shares in order to align the expansion of equity with performance growth. The Board shall comprehensively take account of the features of the industry where the Company operates, its stage of development, its own business model, and profitability and other factors such as whether there is any significant capital expenditure arrangement in forming practicable profit distribution plans. The specific plan for distribution shall be decided by the Shareholders at the general meeting according to the Company's actual operation results of the year.

BUSINESS REVIEW

The business review of the Group for the Reporting Period is set out in the sections headed "Chairman's Statement, Chief Executive Officer's Review" on pages 4 to 6 and "Management Discussion and Analysis" on pages 14 to 39, respectively of this annual report. A discussion on the Company's social responsibility, environmental policies and performance is also set out in "Management Discussion and Analysis". All references to other sections or reports in this annual report form part of this Report of the Board of Directors.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The notice of the forthcoming annual general meeting has been published in accordance with the requirements of the Listing Rules and the Articles of Association. The period of closure of register of members has been announced in the notice of annual general meeting dated 17 April 2024.

SUMMARY OF FINANCIAL INFORMATION

A summary of the financial information for the last five financial years, as extracted from the audited financial statements, is set out in the section headed "Five Years' Financial Summary" on page 8 of this annual report.

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Company and its subsidiaries as of 31 December 2023 are set out in note 26 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

CHARGE ON ASSETS

As of 31 December 2023, the total amount of RMB192.6 million in right-of-use asset was pledged to banks as loan security (31 December 2022: RMB196.8 million). The total amount of RMB907.5 million in property, plant and equipment was pledged to banks as loan security (31 December 2022: RMB664.9 million).

Details of collateral and pledged assets are set out in the section headed "Collateral and Pledged Assets" on page 36 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 30 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

DISTRIBUTABLE RESERVES

As of 31 December 2023, the Company did not have any distributable reserves.

Details of the movements in the respective reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 102.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the total amount of purchases attributable to the Group's top five largest suppliers was less than 30%. The total amount of revenue attributable to the Group's five largest customers[1] was 62.4% of the total revenue of the Group. The total amount of revenue attributable to the Group's largest customer[1] was 35.8% of the total revenue of the Group.

During the Reporting Period, other than Jiangsu Fosun and Fosun Pharma Industrial Development (each a wholly-owned subsidiary of Fosun Pharma), to the knowledge of the Directors, none of the Directors or any of their close associates, or any Shareholders of the Company (which, to the knowledge of the Directors, owned more than 5% of the issued Shares of the Company) had interests in the five largest suppliers or customers of the Group.

1 major customers (meaning, other than in relation to consumer goods or services, the ultimate customer, and in relation to consumer goods or services the ultimate wholesaler or retailer as the case may be)

DIRECTORS

Unless otherwise stated, the following is the list of the Directors during the Reporting Period and as of the Latest Practicable Date:

EXECUTIVE DIRECTORS

Mr. Wenjie Zhang *(Chairman)*[1]
Mr. Jun Zhu *(Chief Executive Officer)*[2]

NON-EXECUTIVE DIRECTORS

Mr. Qiyu Chen
Mr. Yifang Wu
Ms. Xiaohui Guan
Mr. Deyong Wen
Dr. Xingli Wang[3]
Mr. Zihou Yan[4]

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tak Young So
Dr. Lik Yuen Chan
Dr. Guoping Zhao
Dr. Ruilin Song

SUPERVISORS

The following is the list of the Supervisors during the Reporting Period and as of the Latest Practicable Date:

Ms. Rongli Feng *(Chairman)*
Mr. Deli Kong
Mr. Yexing Yuan[5]

Notes:

1. Mr. Wenjie Zhang resigned as the Chief Executive Officer on 17 July 2023.

2. Mr. Jun Zhu was appointed as the Chief Financial Officer on 1 May 2023, was appointed as the Chief Executive Officer on 17 July 2023, and was appointed as an Executive Director on 28 August 2023.

3. Dr. Xingli Wang was appointed as a non-executive Director on 28 August 2023.

4. Mr. Zihou Yan resigned as a non-executive Director on 17 July 2023.

5. Mr. Yexing Yuan was appointed as a Supervisor on 1 January 2023.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 86 to 93 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a letter of appointment with the Company for a term of three years, subject to the provision of retirement and rotation of Directors and Supervisors under the Articles of Association.

None of the Directors and Supervisors has an unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REMUNERATION POLICY

The remuneration policy of the Group is set out in the section headed "Management Discussion and Analysis" on page 39 of this annual report.

Executive Directors are entitled to remuneration for acting as Director of the Company. However, if Executive Directors also serve as senior management of the Company and receive salaries for the services in connection with the management of the affairs of the Group, they will not be entitled to additional Directors' remuneration. Non-executive Directors do not receive any emolument. The remuneration of independent non-executive Directors is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. Details of the remuneration of the Directors, Supervisors and chief executives and the five highest paid employees are set out in notes 9 and 10 to the financial statements.

The remuneration of senior management of the Company by band (including share-based payment) for the Reporting Period is set out below:

	Number of senior management
RMB Nil to RMB5,000,000	5
RMB5,000,001 to RMB10,000,000	4
RMB10,000,001 to RMB15,000,000	1

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Related Party Transactions", there is no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time in the Reporting Period was a Director/Supervisor or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the Reporting Period or at the end of the Reporting Period.

PENSION SCHEME

The full-time employees of the Group are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries (subject to maximum caps) to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred. There were no forfeited contributions available for the Group to reduce its existing level of contributions to the defined contribution scheme as at 31 December 2023. The pension cost paid by the Group during the Reporting Period was RMB120.9 million.

MANAGEMENT CONTRACT

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except as disclosed in this annual report, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the Reporting Period or at the end of the Reporting Period.

DIRECTORS' AND SUPERVISORS' INTEREST IN COMPETING BUSINESS

None of the Directors or Supervisors is interested in any businesses apart from the Group's business which competes with or is likely to compete, either directly or indirectly, with the Group's business.

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

As at 31 December 2023, none of the Directors/Supervisors and chief executives of the Company has interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO). The interest or long positions of Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in Shares of the Company

Name of Shareholder	Nature of interest and capacity	Class	Number of shares	Approximate Percentage in relevant class of shares	Approximate Percentage in total shares
Jun Zhu[(1)]	Interest in controlled entity	H Shares	50,000	0.03%	0.01%
	Interest in controlled entity	Domestic Shares	165,450	0.05%	0.03%

INTEREST IN SHARES OF THE ASSOCIATED CORPORATION

Name	Name of the associated corporation	Nature of interest and capacity	Class	Number of shares	Approximate Percentage in relevant class of shares
Wenjie Zhang	HenLink, Inc.	Beneficial owner	Ordinary Shares	1,417,000	8.93%
	Fosun International	Beneficial owner	Share Option	200,000	0.00%
Qiyu Chen	Fosun International	Beneficial owner	Ordinary Shares	16,019,400	0.20%
	Fosun International	Beneficial owner	Share Option	15,125,000	0.18%
	Fosun Pharma	Beneficial owner	A Shares	114,075	0.01%
	Fosun Tourism Group	Beneficial owner	Ordinary Shares	501,478	0.04%
Yifang Wu	Fosun Pharma	Beneficial owner	H Shares	373,000	0.07%
	Fosun Pharma	Beneficial owner	A Shares	1,007,100	0.05%
	Fosun International	Beneficial owner	Ordinary Shares	130,000	0.00%
	Fosun International	Beneficial owner	Share Option	200,000	0.00%
Xiaohui Guan	Fosun International	Beneficial owner	Ordinary Shares	200,000	0.00%
	Fosun International	Beneficial owner	Share Option	1,000,000	0.01%
	Fosun Pharma	Beneficial owner	A Shares	393,100	0.02%
	Fosun Pharma	Beneficial owner	H Shares	25,000	0.00%
Deyong Wen	Fosun Pharma	Beneficial owner	A Shares	207,100	0.01%
	Fosun Pharma	Beneficial owner	H Shares	20,000	0.00%
Rongli Feng	Fosun Pharma	Beneficial owner	A Shares	113,500	0.01%
Deli Kong	Fosun Pharma	Beneficial owner	A Shares	27,200	0.00%

INTEREST IN DEBENTURES OF THE ASSOCIATED CORPORATION

Name	Name of the associated corporation	Nature of interest and capacity	Class	Details of debentures	Amount of debentures
Qiyu Chen	Fortune Star (BVI) Limited	Beneficial owner	Debentures		USD1,478,241
Yifang Wu	Fortune Star (BVI) Limited	Beneficial owner	Debentures	Principal amount of USD700,000,000 due on 29 October 2025	USD36,440
		Beneficial owner	Debentures	Principal amount of USD500,000,000 due on 18 May 2026	USD36,440

Save as disclosed in the foregoing, as at 31 December 2023, none of the Directors/Supervisors or chief executive of the Company or their respective close associates had any interests or short/long positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

During the Reporting Period, no rights to acquire benefits by means of the acquisition of shares, underlying shares or debentures of the Company were granted to any Directors/Supervisors or chief executive or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement which enabled the Directors/Supervisors or chief executive to acquire such rights in any other corporation.

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

As of 31 December 2023, the following persons (other than the Directors/Supervisors or chief executive of the Company) had the following interests and/or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO:

Name of Shareholder	Nature of interest and capacity	Class	Number of shares	Approximate percentage of relevant class of shares	Approximate percentage of relevant class of shares
Fosun New Medicine	Beneficial owner	Domestic Shares	265,971,569	73.03%	48.94%
Fosun Pharma Industrial Development[2]	Beneficial owner	Domestic Shares	25,393,818	6.97%	4.67%
	Interest in controlled entity	Domestic Shares	265,971,569	73.03%	48.94%
Fosun Pharma[3]	Interest in controlled entity	Domestic Shares	291,365,387	80.00%	53.61%
		H Shares	35,523,439	21.74%	6.54%
Fosun High Tech[4]	Interest in controlled entity	Domestic Shares	291,365,387	80.00%	53.61%
		H Shares	35,523,439	21.74%	6.54%
Fosun International[5]	Interest in controlled entity	Domestic Shares	291,365,387	80.00%	53.61%
		H Shares	35,523,439	21.74%	6.54%
FHL[6]	Interest in controlled entity	Domestic Shares	291,365,387	80.00%	53.61%
		H Shares	35,523,439	21.74%	6.54%
FIHL[7]	Interest in controlled entity	Domestic Shares	291,365,387	80.00%	53.61%
		H Shares	35,523,439	21.74%	6.54%
Guangchang Guo[8]	Interest in controlled entity	Domestic Shares	291,365,387	80.00%	53.61%
		H Shares	35,523,439	21.74%	6.54%
Fosun Industrial	Beneficial owner	H Shares	32,331,100	19.78%	5.95%
	Security interest	H Shares	3,192,339	1.95%	0.59%
Al Rayyan Holding LLC	Beneficial owner	H Shares	11,370,960	6.96%	2.09%
Qatar Holding LLC[9]	Interest in controlled entity	H Shares	11,370,960	6.96%	2.09%
Qatar Investment Authority[9]	Interest in controlled entity	H Shares	11,370,960	6.96%	2.09%
DIC Holding LLC	Beneficial owner	H Shares	2,842,740	1.74%	0.52%
Qatar Investment Authority (in the capacity of investment manager of DIC Holding LLC)[10]	Interest in controlled entity	H Shares	2,842,740	1.74%	0.52%
Cayman Henlius[11]	Beneficial owner	H Shares	43,756,960	26.77%	8.05%
Wei-Dong Jiang[12]	Beneficial owner	H Shares	720,955	0.44%	0.13%
	Interest in controlled entity	H Shares	43,756,960	26.77%	8.05%
Scott Shi-Kau Liu[13]	Beneficial owner	H Shares	2,410,695	1.48%	0.44%
	Interest in controlled entity	H Shares	43,756,960	26.77%	8.05%
HenLink	Beneficial owner	Unlisted Foreign Shares	15,876,694	100%	2.92%

Notes:

(1) As at 31 December 2023, Mr. Jun Zhu wholly owned Dr. JZ Limited. Mr. Jun Zhu was deemed to be interested in the H Shares which Dr. JZ Limited was interested in. As at 31 December 2023, Mr. Jun Zhu held approximately 2.94% of the shares in Shanghai Guoyun Biotech Partnership Enterprise (Limited Partnership). Mr. Jun Zhu was deemed to be interested in the Domestic Shares which Shanghai Guoyun Biotech Partnership Enterprise (Limited Partnership) was interested in.

(2) As at 31 December 2023, Fosun New Medicine was wholly owned by Fosun Pharma Industrial Development. Fosun Pharma Industrial Development was deemed to be interested in the Domestic Shares which Fosun New Medicine was interested in.

(3) On 24 December 2019, Cayman Henlius pledged a total of 3,192,339 H Shares to Fosun Industrial, therefore Fosun Industrial had security interest in these H Shares. As at 31 December 2023, Fosun Pharma Industrial Development and Fosun Industrial were wholly owned by Fosun Pharma. Fosun Pharma was deemed to be interested in the Domestic Shares and H Shares which Fosun Pharma Industrial Development and Fosun Industrial were interested in.

(4) As at 31 December 2023, Fosun High Tech held approximately 35.84% of the shares in Fosun Pharma, Fosun High Tech was deemed to be interested in the Domestic Shares and H Shares which Fosun Pharma was interested in.

(5) As at 31 December 2023, Fosun High Tech was wholly owned by Fosun International. In addition, Fosun International held approximately 0.22% of the shares in Fosun Pharma. Fosun International was deemed to be interested in the Domestic Shares and H Shares which Fosun High Tech and Fosun Pharma were interested in.

(6) As at 31 December 2023, FHL directly held approximately 73.42% of the shares in Fosun International. FHL was deemed to be interested in the Domestic Shares and H Shares which Fosun International was interested in.

(7) As at 31 December 2023, FHL was wholly owned by FIHL. FIHL was deemed to be interested in the Domestic Shares and H Shares which FHL was interested in.

(8) As at 31 December 2023, Mr. Guangchang Guo held approximately 85.29% of the shares in FIHL. Mr. Guangchang Guo was deemed to be interested in the Domestic Shares and H Shares which FIHL was interested in.

(9) As at 31 December 2023, Al Rayyan Holding LLC was wholly owned by Qatar Holding LLC, which was wholly owned by Qatar Investment Authority. Qatar Holding LLC and Qatar Investment Authority were deemed to be interested in the H Shares which Al Rayyan Holding LLC was interested in.

(10) As at 31 December 2023, DIC Holding LLC was wholly owned by Qatar Investment Authority (in the capacity of investment manager of DIC Holding LLC). Qatar Investment Authority (in the capacity of investment manager of DIC Holding LLC) was deemed to be interested in the H Shares which DIC Holding LLC was interested in.

(11) As at 31 December 2023, Cayman Henlius was held by Dr. Scott Shi-Kau Liu and Dr. Wei-Dong Jiang as to approximately 64.20% and 35.80% of the total equity interests, respectively. On 24 December 2019, Cayman Henlius pledged a total of 3,192,339 H Shares to Fosun Industrial, a wholly owned subsidiary of Fosun Pharma, while Cayman Henlius continues to be the beneficial owner of such Shares.

(12) As at 31 December 2023, Dr. Wei-Dong Jiang held approximately 35.80% of the shares in Cayman Henlius. Dr. Wei-Dong Jiang was deemed to be interested in the H Shares which Cayman Henlius was interested in.

(13) As at 31 December 2023, Dr. Scott Shi-Kau Liu held approximately 64.20% of the shares in Cayman Henlius. Dr. Scott Shi-Kau Liu was deemed to be interested in the H Shares which Cayman Henlius was interested in.

Save as disclosed herein, there is no other person known to the Directors/Supervisors or chief executive of the Company who, as at 31 December 2023, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 under Part XV of the SFO or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital entitling them to vote in all circumstances at general meetings of the Company.

PERMITTED INDEMNITY

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director and Supervisor shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the Directors and Supervisors of the Group.

SHARE OPTION SCHEME

For the year ended 31 December 2023, the Company did not have any share option scheme.

SHARE AWARD SCHEME

The Company adopted the 2018 Share Award Scheme effective on 14 April 2018 for the purpose of promoting the establishment of a sound and effective incentive mechanism to fully motivate the employees of the Group, effectively align the interests of the Shareholders, the Group and the individuals, so as to form an interest – and risk-sharing mechanism among the Shareholders and the employees as well as attracting and retaining outstanding talents to ensure the realisation of the Group's long-term development goals. The 2018 Share Award Scheme comprised two parts, onshore participants who were Mainland Chinese citizens (the "**2018 Onshore Participants**") would become limited partners of Shanghai Guoyun and offshore participants who were not Mainland Chinese citizens (the "**2018 Offshore Participants**", together with the 2018 Onshore Participants, the "**2018 Participants**") would become shareholders of HenLink. The 2018 Participants included the members of senior management of the Company and core technical personnel of the Company and its subsidiaries. As at the adoption time of the 2018 Share Award Scheme, Shanghai Guoyun and HenLink were immediate Shareholders of the Company which held 11,714,650 Shares and 11,035,350 Shares pursuant to the 2018 Share Award Scheme, respectively. The 2018 Onshore Participants were responsible for the capital contribution made by Shanghai Guoyun to the Company in respect of the Shares issued to Shanghai Guoyun and the 2018 Offshore Participants were responsible for the capital contribution made by HenLink to the Company in respect of the Shares under the 2018 Share Award Scheme held by HenLink. In September 2018, Shanghai Guoyun and HenLink have settled their respective capital contribution to the Company using funds contributed by the relevant employees of the Group pursuant to the 2018 Share Award Scheme at a subscription price of RMB9.21 per Share.

All the grants under the 2018 Share Award Scheme were made in 2018 on a one-off basis. On 14 April 2018 (the "**Date of 2018 Grant**"), pursuant to the 2018 Share Award Scheme, a total of 22,750,000 Shares (i.e. 11,714,650 Shares and 11,035,350 Shares held by Shanghai Guoyun and HenLink respectively), representing approximately 4.19% of the total issued Shares of the Company as at the date of this report, were indirectly granted to the 2018 Participants through the 2018 Participants subscribing for shares in Shanghai Guoyun (in respect of employees who are Mainland Chinese citizens) and HenLink (in respect of employees who are not Mainland Chinese citizens) and thereby becoming indirect Shareholders of the Company. There was no maximum entitlement of each 2018 Participant under the 2018 Share Award Scheme.

On 10 December 2020, the Company amended the terms of the 2018 Share Award Scheme. The major amendments relate to, among other things, the transfer restrictions on incentive shares and the special adjustment mechanism. Pursuant to the 2018 Share Award Scheme (as amended), if the 2018 Participants resign or are dismissed by the Company, share awards granted to such 2018 Participants, of which restrictions have not been released, shall be repurchased by the Company or reassigned to new participants. In addition, the Remuneration Committee of the Board retains the discretion to release the restrictions of unvested share awards granted to resigned 2018 Participants if they meet certain performance requirements during their tenure.

The table below sets out the arrangement in relation to the release of the restrictions on the Shares indirectly held by the 2018 Participants in tranches (after amendments to the 2018 Share Award Scheme):

Categories of 2018 Participants	Arrangement in relation to the release of the restrictions	Date of releasing the restrictions	Percentage of Shares which restrictions will be released	Conditions for releasing the restrictions
Category I Participants	First tranche	30 April 2020	60%	The conditions for releasing the restrictions comprised two parts, namely the Company achieving certain milestones in respect of its products and the participants passing annual performance review. The percentage of Shares in respect of which the conditions may be released will depend on the achievement level of those conditions. In relation to the Shares in respect of which the restrictions have been released, such Shares can only be transferred after the date of release of such restrictions.
	Second tranche	30 April 2021	20%	
	Third tranche	30 April 2022	20%	
Category II Participants	First tranche	30 April 2020	35%	
	Second tranche	30 April 2021	30%	
	Third tranche	30 April 2022	35%	
Category III Participants	First tranche	30 April 2020	20%	
	Second tranche	30 April 2021	25%	
	Third tranche	30 April 2022	55%	

The 2018 Share Award Scheme shall be valid from the Date of 2018 Grant to the date on which all Shares indirectly held by the 2018 Participants have been unlocked or otherwise repurchased and cancelled.

In addition, on 10 December 2020, the Company adopted the 2020 Share Award Scheme as certain 2018 Participants in the 2018 Share Award Scheme were no longer employed by the Group and had to assign their Restricted Interests under the 2018 Share Award Scheme. The purposes of the 2020 Share Award Scheme are, amongst others, to promote the establishment of a sound and effective incentive mechanism to fully motivate the employees of the Group, effectively align the interests of the Shareholders, the Group and the individuals, so as to form an interest – and risk-sharing mechanism among the Shareholders and the employees; and to attract and retain outstanding talents to ensure the realisation of the Group's long-term development goals. Pursuant to the 2020 Share Award Scheme, the 2020 Participants, including Directors, senior management and other employees of the Group (the "**2020 Participants**"), would acquire the Restricted Interests (comprised of 360,700 Domestic Shares and 2,420,000 unlisted foreign Shares, representing approximately 0.51% of the issued Shares of the Company as at the date of this report) from the Resigned Participants of the 2018 Share Award Scheme at an acquisition price determined by reference to the original acquisition costs of such Restricted Interests in accordance with the terms of the 2018 Share Award Scheme and subject to applicable rules and regulations. Such price shall be paid by the 2020 Participants within a period determined by the Company. There was no maximum entitlement of each 2020 Participant under the 2020 Share Award Scheme. The 2020 Participants will acquire the Restricted Interests from the resigned 2018 Participants. Pursuant to the 2020 Share Award Scheme, if the 2020 Participants resign or are dismissed by the Company, share awards granted to such 2020 Participants, of which restrictions have not been released, shall be repurchased by the Company or reassigned to new participants. In addition, the Remuneration Committee of the Board retains the discretion to release the restrictions of unvested share awards granted to resigned 2020 Participants if they meet certain performance requirements during their tenure. All the share awards under the 2020 Share Award Scheme were made on 10 December 2020 ("**Date of 2020 Grant**") on a one-off basis.

The table below sets out the arrangement in relation to the release of the restrictions on the Shares indirectly held by the 2020 Participants in tranches:

Categories of 2020 Participants	Arrangement in relation to the release of the restrictions	Date of releasing the restrictions	Percentage of Shares which restrictions will be released	Conditions for releasing the restrictions
Category I Participants	First tranche	30 April 2021	60%	The conditions for releasing the restrictions comprised two parts, namely (1) the Company achieving certain milestones in respect of its research and development status, revenue and the construction progress of manufacturing facilities to be determined at the discretion of the Board, and (2) the 2020 Participants passing annual performance review. The percentage of Shares in respect of which the conditions may be released will depend on the achievement level of those conditions. In relation to the Shares in respect of which the restrictions have been released, such Shares can only be transferred after the date of release of such restrictions.
	Second tranche	30 April 2022	20%	
	Third tranche	30 April 2023	20%	
Category II Participants	First tranche	30 April 2021	20%	
	Second tranche	30 April 2022	25%	
	Third tranche	30 April 2023	55%	

The 2020 Share Award Scheme shall be valid from the Date of 2020 Grant to the date on which all Shares indirectly held by the 2020 Participants have been unlocked or otherwise repurchased and cancelled.

Set out below are the movements of the awards under the 2018 Share Award Scheme and the 2020 Share Award Scheme during the Reporting Period:

	2018 Share Award Scheme[1]					
	Unvested as at 1 January 2023		Vested during the Reporting Period		Unvested as at 31 December 2023	
Grantees[2]	Number	Vesting period	Number	Weighted average closing price of the shares immediately before the dates on which the awards were vested (HKD)	Number	Vesting period
Other grantees by category	79,800	16 May 2023[6]	79,800	14.14	–	–

	2020 Share Award Scheme[3]					
	Unvested as at 1 January 2023		Vested during the Reporting Period		Unvested as at 31 December 2023	
Grantees	Number	Vesting period	Number	Weighted average closing price of the shares immediately before the dates on which the awards were vested (HKD)	Number	Vesting period
WENJIE ZHANG *Executive Director*[4]	283,400	30 April 2023	283,400	14.14	–	–
Five highest paid individuals[5]	599,502	30 April 2023	599,502	14.14	–	–
Other grantees by category	149,790	30 April 2023	149,790	14.14	–	–
	44,000	16 May 2023[7]	44,000	14.14	–	–

Notes:

1. All the share awards under the 2018 Share Award Scheme were made on 14 April 2018 on a one-off basis. No share awards were cancelled or lapsed during the Reporting Period, and no additional consideration is required from the 2018 Participants at the time of vesting of the share awards.

2. The 2018 Participants exclude the Directors, CEO and five highest paid individuals of the Company.

3. All the share awards under the 2020 Share Award Scheme were made on 10 December 2020 on a one-off basis. No share awards were re-granted, cancelled or lapsed during the Reporting Period, and no additional consideration is required from the 2020 Participants at the time of vesting of the share awards.

4. WENJIE ZHANG resigned as Chief Executive Officer, effective on 17 July 2023.

5. The information includes the grants to WENJIE ZHANG who is categorised as “five highest paid individuals”.

6. The 79,800 unvested share awards as at 1 January 2023 due to resignation of an employee, which have not been re-granted in accordance with the 2018 Share Award Scheme, were vested in such resigned employee on 16 May 2023. The Remuneration Committee of the Board, having considered the contributions made by the resigned employee during his term of service, has resolved and approved to exercise its discretion in releasing the restrictions of the aforesaid 79,800 unvested share awards according to the 2018 Share Award Scheme.

7. 44,000 unvested share awards as at 1 January 2023 due to resignation of an employee, which have not been re-granted in accordance with the 2020 Share Award Scheme, were vested in such resigned employee on 16 May 2023. The Remuneration Committee of the Board, having considered the contributions made by the resigned employee during his term of service, has resolved and approved to exercise its discretion in releasing the restrictions of the aforesaid 44,000 unvested share awards according to the 2020 Share Award Scheme.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group during the Reporting Period or subsisted at the end of the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, during the Reporting Period, the Company has maintained sufficient public float as required by the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in the Articles of Association or under the applicable laws of the PRC where the Company is incorporated.

DONATIONS

During the Reporting Period, the Group made donations of RMB45.2 million.

CONTINUING CONNECTED TRANSACTIONS

Property Leasing Framework Agreement

On 17 November 2022, the Company entered into the Clone Property Leasing Framework Agreement and the Fukun Property Leasing Framework Agreement with Clone High Tech and Fukun Pharmaceutical, respectively, pursuant to which the Group has agreed to lease premises from Clone High Tech and Fukun Pharmaceutical for its use as manufacturing facilities, laboratories and/or office buildings from time to time, for a period of three years commencing from 1 January 2023 and ending on 31 December 2025.

Both of Clone High Tech and Fukun Pharmaceutical are wholly-owned subsidiaries of Fosun Pharma, the controlling shareholder of the Company. Therefore, each of Clone High Tech and Fukun Pharmaceutical is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the entering into the Property Leasing Framework Agreements, including the Clone Property Leasing Framework Agreement and Fukun Property Leasing Framework Agreement, constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The total value of the right-of-use assets relating to the leases entered into by the Group with Clone High Tech and Fukun Pharmaceutical and/or their associates in relation to the leasing of property under the Property Leasing Framework Agreements, including the Clone Property Leasing Framework Agreement and the Fukun Property Leasing Framework Agreement for the three years ended 31 December 2023, 2024 and 2025 will not exceed RMB113.24 million, RMB34.81 million and RMB135.66 million, respectively.

Financial Services Agreement

On 14 February 2023, the Company entered into a financial services agreement with Fosun Finance, pursuant to which Fosun Finance agreed to provide the non-exclusive financial services, including the depository services, the comprehensive credit services, the settlement services and other financial services, to the Group within its business scope as approved by the China Banking and Insurance Regulatory Commission.

Fosun Finance is a subsidiary of Fosun High Tech, which is the controlling shareholder of the Company, therefore Fosun Finance is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the Services under the Financial Services Agreement provided by Fosun Finance to the Group constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The comprehensive credit services, the settlement services and other financial services provided by Fosun Finance to the Group pursuant to the Financial Services Agreement are fully exempt continuing connected transactions.

The maximum daily amount of the deposits (including accrued interest) to be placed by the Group with Fosun Finance under the Financial Services Agreement for the period from 14 February 2023 to 31 December 2023, the two years ending 31 December 2024 and 31 December 2025, and the period from 1 January 2026 to 13 February 2026 will not exceed RMB200 million, respectively.

Promotional Services Agreement

On 24 August 2020 and 31 December 2020, Henlius Biopharmaceuticals, a wholly-owned subsidiary of the Company, entered into the Promotional Services Agreement and Supplemental Agreement with Jiangsu Fosun to engage Jiangsu Fosun to provide promotional services in relation to HANQUYOU to the Group from 24 August 2020 to 30 June 2022. As the Group continues to engage Jiangsu Fosun to provide the promotional services, Henlius Biopharmaceuticals renewed the Promotional Services Agreement ("**Promotional Services Agreement (2022 Renewal)**") with Jiangsu Fosun on 30 June 2022 to extend the term of the Promotional Services Agreement for a further term from 1 July 2022 to 31 December 2023. On 29 December 2023, Henlius Biopharmaceuticals entered into a new supplementary agreement with Jiangsu Fosun to renew the Promotional Services Agreement ("**Promotional Services Agreement (2023 Renewal)**") to further extend the term of the agreement for a year from 1 January 2024 to 31 December 2024 and adjust the applicable rates thereunder.

Jiangsu Fosun is a wholly-owned subsidiary of Fosun Pharma (a controlling shareholder of the Company), therefore, Jiangsu Fosun is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the transactions under the Promotional Services Agreement (2022 Renewal) and Promotional Services Agreement (2023 Renewal) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The maximum annual transaction amount (on a tax-exclusive basis) to be paid by the Group to Jiangsu Fosun under the Promotional Services Agreement (2022 Renewal) for the year ended 31 December 2023 will not exceed RMB48 million.

The maximum annual transaction amount (on a tax-exclusive basis) to be paid by the Group to Jiangsu Fosun under the Promotional Services Agreement (2023 Renewal) for the year ending 31 December 2024 will not exceed RMB75 million.

Clinical Trial Research Services Agreement

On 24 November 2022, the Company entered into the Clinical Trial Research Services Agreement with Genuine Biotech and Fosun Pharma Industrial Development, pursuant to which the Company agreed to provide clinical trial research services in relation to the prevention of SARS-Cov-2 of Azvudine, including clinical study design and management services, to Genuine Biotech and Fosun Pharma Industrial Development.

Fosun Pharma Industrial Development is a wholly-owned subsidiary of Fosun Pharma, the controlling shareholder of the Company. Therefore, Fosun Pharma Industrial Development is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the transactions under the Clinical Trial Research Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The maximum transaction amount to be paid by Fosun Pharma Industrial Development to the Company with respect to provision of the services under the Clinical Trial Research Services Agreement for the period from 1 January 2023 to 23 November 2023 will not exceed RMB73 million.

CMC Technical Services Framework Agreement

On 29 June 2023, Aton Ruilin, a wholly-owned subsidiary of the Company, entered into the CMC Technical Services Framework Agreement with Fosun Pharma Industrial Development, pursuant to which Aton Ruilin agreed to provide CMC related technical services to Fosun Pharma Industrial Development and its subsidiaries.

Fosun Pharma Industrial Development is a wholly-owned subsidiary of Fosun Pharma, the controlling shareholder of the Company. Therefore, Fosun Pharma Industrial Development is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the transactions under the CMC Technical Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The maximum annual transaction amounts to be paid by Fosun Pharma Industrial Development and its subsidiaries to Aton Ruilin with respect to the provision of the services under the CMC Technical Services Framework Agreement for the period from 29 June 2023 to 31 December 2023, the two years ending 31 December 2024 and 31 December 2025, and the period from 1 January 2026 to 28 June 2026 will not exceed RMB3 million, RMB8 million, RMB20 million and RMB15 million, respectively.

SINOPHARM PROCUREMENT FRAMEWORK AGREEMENT

On 24 April 2020, the Company entered into a Sinopharm Procurement Framework Agreement to procure (i) warehousing and logistics services, and (ii) raw materials, including reagent, from Sinopharm Group. The initial term of the Sinopharm Procurement Framework Agreement expired on 31 December 2022. The Company and Sinopharm continues to carry out the transactions under the Sinopharm Procurement Framework Agreement after 31 December 2022. On 17 November 2022, the parties have agreed that the term of the Sinopharm Procurement Framework Agreement shall be automatically renewed in accordance with its terms for a further term of three years from 1 January 2023 to 31 December 2025. Save for the automatic renewal, there has been no other change in the principal term of the Sinopharm Procurement Framework Agreement since its execution on 24 April 2020.

Fosun Pharma (a controlling shareholder of the Company) directly held 49% of the interests in Sinopharm Industrial Investment and Sinopharm is a subsidiary of Sinopharm Industrial Investment. Therefore, Sinopharm is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the transactions under the Sinopharm Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The maximum transaction amount to be paid by the Group to Sinopharm Group for the procurement of warehousing and logistic services pursuant to the Sinopharm Procurement Framework Agreement for the years ended 31 December 2023, 2024 and 2025 will not exceed RMB21.00 million, RMB24.50 million and RMB22.00 million, respectively.

The maximum transaction amount to be paid by the Group to Sinopharm Group for the purchase of raw materials pursuant to the Sinopharm Procurement Framework Agreement for the years ended 31 December 2023, 2024 and 2025 will not exceed RMB9.50 million, RMB16.50 million and RMB16.50 million, respectively.

SINOPHARM DISTRIBUTION FRAMEWORK AGREEMENT

On 24 April 2020, the Company entered into a Sinopharm Distribution Framework Agreement to sell the self-owned products (except for HANLIKANG and HANDAYUAN) of the Group to the Sinopharm Group from time to time. On 12 June 2020, the Shareholders approved the Sinopharm Distribution Framework Agreement dated 24 April 2020 at the 2020 second extraordinary general meeting. As the initial term of the Sinopharm Distribution Framework Agreement expires on 31 December 2022 and the Company and Sinopharm Holdings will continue to carry out the transactions under the Sinopharm Distribution Framework Agreement after 31 December 2022, on 17 November 2022, with the consent of the parties, the term of the Sinopharm Distribution Framework Agreement was automatically renewed in accordance with its provisions for a period of three years from 1 January 2023 to 31 December 2025. Since the entering into of the Sinopharm Distribution Framework Agreement on 24 April 2020, there has been no other change in its principal terms other than automatic renewal. On 27 December 2022, the Shareholders approved the renewal of the Sinopharm Distribution Framework Agreement entered into between the Company and Sinopharm on 24 April 2020 and the transactions contemplated thereunder at the second extraordinary general meeting of 2022.

Fosun Pharma (a controlling shareholder of the Company) directly held 49% of the interests in Sinopharm Industrial Investment and Sinopharm is a subsidiary of Sinopharm Industrial Investment. Therefore, Sinopharm is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the transactions under the Sinopharm Distribution Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

For the years ended 31 December 2023, 2024 and 2025, the maximum annual transaction amount that the Group will receive from Sinopharm Holding Group for the sale of its self-owned products under the Sinopharm Distribution Framework Agreement will not exceed RMB2,833 million, RMB4,491 million and RMB4,691 million, respectively.

Collaboration Arrangements Under the HLX01 Agreement and the HLX03 Agreement

The Company has entered into the HLX01 Agreement (as amended) with Fosun Pharma Industrial Development (a subsidiary of Fosun Pharma) on 18 September 2015 in connection with HLX01 (HANLIKANG). Pursuant to the terms of the HLX01 Agreement, the Company has agreed to (i) be responsible for the R&D, regulatory submission, clinical trials as well as the manufacturing and supply of HANLIKANG in the PRC; and (ii) grant an exclusive right to Fosun Pharma Industrial Development to promote and commercialise HANLIKANG in the PRC. The Company and Fosun Pharma Industrial Development have also agreed to share the net profit (as defined in the HLX01 Agreement) derived from the sales of HANLIKANG in the PRC. The HLX01 Agreement became effective on the date of signing, and will continue until terminated in accordance with its terms. Frost & Sullivan has confirmed that it is a market practice. The HLX01 Agreement may be terminated if (i) any party materially breaches the terms of the HLX01 Agreement and such breach cannot be cured within 90 days by the breaching party upon receiving notice from the non-breaching party, or (ii) any party is under liquidation, whether voluntary or otherwise, or enters into any agreements with its creditors which may be detrimental to the performance of the obligations under the HLX01 Agreement. In addition, if there is a change of control of Fosun Pharma Industrial Development, Fosun Pharma Industrial Development and the Company should negotiate in good faith for continuing to carry out the cooperation arrangement under the HLX01 Agreement, failing which, the Company may terminate the HLX01 Agreement. Accordingly, the term of the HLX01 Agreement will continue until it is terminated in accordance with its terms.

The Company entered into an agreement with Jiangsu Wanbang (a wholly-owned subsidiary of Fosun Pharma) in relation to HLX03 (HANDAYUAN) on 18 September 2017 to commercialise HANDAYUAN. The HLX03 Agreement contains the similar terms as those of the HLX01 Agreement.

The (i) supply of products; and (ii) the sharing of the net profits derived from the sales of the relevant products by the Group to Fosun Pharma and/or its associate are regarded as continuing connected transactions of the Company. For such transactions, the Company has applied to, and the Stock Exchange has granted to the Company, a waiver from strict compliance with Rules 14A.52 and 14A.53 of the Listing Rules, with a waiver period ending on 31 December 2024.

During the Reporting Period, the actually received amount of the Group for the supply of products and sharing of net profit from sales of related products were RMB567.1 million.

License Agreement

On 17 November 2022, the Company entered into the License Agreement with Fosun Pharmaceutical Industrial Development, pursuant to which the Company agreed to grant to Fosun Pharmaceutical Industrial Development an exclusive license, based on the Company's intellectual property rights, to commercialise HANSIZHUANG (serplulimab injection) (the "**Licensed Product**") in the United States (including its territories and possessions) (the "**Territory**") for the treatment indication of Extensive Stage Small-Cell Lung Cancer (ESSCLC) and any other indication (other than ES-SCLC) as mutually agreed between the Company and Fosun Pharmaceutical Industrial Development in human. Pursuant to the License Agreement, Fosun Pharma Industrial Development is required to make the upfront payment, one-off regulatory milestone payment, sales milestone payments, royalty payments and transfer price payments to the Company. The term of the License Agreement shall commence on the Effective Date and will be valid until Fosun Pharmaceutical Industrial Development concludes, in its sole discretion, that the Licensed Product is no longer commercially viable in the Territory with a one hundred-eighty (180) days prior written notice, or is terminated earlier by the parties under the agreed circumstances as set out in the License Agreement. On 27 December 2022, the Shareholders at the second extraordinary general meeting of 2022 approved the License Agreement entered into between the Company and Fosun Pharma Industrial Development on 17 November 2022 (including the transactions contemplated thereunder).

Fosun Pharmaceutical Industrial is a wholly-owned subsidiary of Fosun Pharma (a controlling shareholder of the Company), therefore Fosun Pharmaceutical Industrial Development is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly: (i) the entering into the License Agreement and the proposed payments of the Upfront Payment and the Regulatory Milestone Payments would constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules; and (ii) the payment of the Sales Milestone Payments, the Royalty Payments and the Transfer Price Payments would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For item(ii), the Company has applied to, and the Stock Exchange has granted to the Company, a waiver from compliance with Rules 14A.52 and 14A.53(1) of the Listing Rules.

Based on the progress of the clinical trials of the Licensed Product and various preparatory work conducted by Fosun Pharma Group for commercialisation of the Licensed Product, on 9 August 2023, the Company and Fosun Pharmaceutical Industrial entered into the Amendment to License and Supply Agreement to amend certain terms of the License and Supply Agreement ("**Amendment to License Agreement**"). The Proposed Amendments include the amendments to the payment schedule of the remaining amount of the Upfront Payment, the Termination of Repurchase Options and the amendments to the royalty rates of the Royalty Payments. As the Proposed Amendments contemplated under the Amendment to License Agreement constituted material variation to the terms of the License Agreement, the Company re-complied with the provisions of Chapter 14A of the Listing Rules and sought Shareholders' approval for the changes under the Amendment to License Agreement. On 28 August 2023, the Shareholders approved at the First Extraordinary General Meeting of 2023 the Amendment to the License Agreement (including the transactions contemplated thereunder) dated 9 August 2023 entered into between the Company and Fosun Pharmaceutical Industrial as set out in the circular of the Company dated 11 August 2023.

During the Reporting Period, the actual revenue recognised for the progress of revenue from research and development services under the License Agreement was RMB171.6 million.

Review By and Confirmation of Independent Non-Executive Directors of the Company

The independent non-executive Directors have reviewed the above continuing connected transactions, and confirmed that such transactions were:

(i) entered into in the ordinary and usual course of business of the Group;

(ii) conducted on normal commercial terms or better (as defined in the Listing Rules); and

(iii) carried out according to the terms in the relevant transaction agreements, which are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation of the Auditors

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740, *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued its unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 164 to 170 of this annual report in accordance with Rule 14A.56 of the Listing Rules.

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the Reporting Period are disclosed in note 37 to the financial statements.

Apart from the connected transactions and continuing connected transactions as disclosed in this annual report, none of the related party transactions constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, which are subject to announcement or independent shareholders' approval requirements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the Reporting Period.

NON-COMPETITION UNDERTAKING

Fosun Pharma has provided the Non-competition Undertaking to the Company in connection with the Listing to ensure there remains a clear delineation of their respective businesses in the future.

The Non-competition Undertaking commenced on the listing date and will end on the earlier of (i) the date on which Fosun Pharma or its subsidiaries (other than the Group) cease to be controlling shareholders (as defined under the Listing Rules) of the Company and (ii) the date on which the Shares cease to be listed on the Stock Exchange.

The independent non-executive Directors have performed an annual review and confirmed that they are not aware of any circumstances which indicate that Fosun Pharma is not in compliance with Non-competition Undertaking.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, at no time during the Reporting Period had the Company or any of its subsidiaries entered into any contract of significance with the Controlling Shareholders or any of their subsidiaries, nor had any contract of significance been entered into for the services provided by the Controlling Shareholders or any of their subsidiaries to the Company or any of its subsidiaries.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 25 September 2019, the Company issued 64,695,400 H Shares with a nominal value of RMB1.00 each at HK$49.6 per H Share in connection with the Global Offering and listing of the H Shares on the Hong Kong Stock Exchange, with a net price of approximately HK$45.57 per share (approximately RMB40.56).

On 22 October 2019, the Company partially exercised the over-allotment option granted in connection with the Global Offering and issued an aggregate of 4,366,400 H Shares with a nominal value of RMB1.00 each at HK$49.6 per H Share, with a net price of approximately HK$45.57 per share (approximately RMB40.56).

After deduction of listing expenses, the total net proceeds from the Global Offering (including the net proceeds from the partial exercise of the over-allotment option) was approximately HK$3,147.1 million (approximately RMB2,800.9 million), the use and allocation ratio of which have been adjusted in accordance with details in the announcements of the Company dated 26 March 2021[1] and 18 August 2022[2] (the "Announcements"). As at the end of the Reporting Period, details of the purposes and use of the proceeds in accordance with those set out in the Prospectus and subject to the adjustments set out in the Announcements are set out below:

Intended use of proceeds as set out in the Prospectus and adjusted in the Announcements		Allocation of net proceeds in the proportion as set out in the Prospectus and adjusted in the Announcements[3]	Amounts utilized as at 31 December 2022 (RMB million)	Amounts outstanding for the financial year ended 31 December 2022 carried forward to the Reporting Period (RMB million)	Amounts utilized during the Reporting Period (RMB million)	Amounts not yet utilized as at 31 December 2023[6] (RMB million)
(a)	Fund the ongoing clinical trials, regulatory filing and registration for Core Products	approximately 24.8% (RMB693.7 million)	693.7	0.0	0.0	0.0
	– Fund the ongoing clinical trials, regulatory filing and registration for HLX02	approximately 6.0% (RMB168.1 million)	168.1	0.0	0.0	0.0
	– Fund the ongoing clinical trials, regulatory filing and registration for HLX04 for the mCRC indication	approximately 5.7% (RMB160.9 million)	160.9	0.0	0.0	0.0
	– Develop immuno-oncology combination therapy comprised of HLX04 and HLX10 for the treatment of advanced solid tumours	approximately 13.1% (RMB364.7 million)	364.7	0.0	0.0	0.0
(b)	Fund the ongoing clinical trials, regulatory filing and registration for other biosimilar candidates, including HLX12, HLX11 and HLX14	approximately 16.8% (RMB470.8 million)	470.8[4]	0.0	0.0	0.0
(c)	Fund the ongoing clinical trials, regulatory filing and registration for bio-innovation drugs and the development of immuno-oncology combination therapy	approximately 48.4% (RMB1,356.3 million)	1,345.4	10.9[5]	10.9[5]	0.0
	– HLX07	approximately 3.3% (RMB92.8 million)	92.8	0.0	0.0	0.0
	– HLX20	approximately 0.2% (RMB5.6 million)	5.6	0.0	0.0	0.0
	– HLX10 and immuno-oncology combination therapies involving HLX10 (including HLX10+HLX07)	approximately 44.9% (RMB1,257.9 million)	1,247.0[4]	10.9[5]	10.9[5]	0.0
(d)	Working capital and general corporate purposes	approximately 10.0% (RMB280.1 million)	280.1	0.0	0.0	0.0
Total		100% (RMB2,800.9 million)	2,790.0	10.9	10.9	0.0

Notes:

(1) On 26 March 2021, the Board considered the research and development progress of HLX10 and immuno-oncology therapies and is of the view that the clinical trials, regulatory filing and registration for HLX10 and immuno-oncology therapies require additional investments. Accordingly, the Board reallocated part or all of the unutilised net proceeds originally allocated to the development of immuno-oncology combination therapy comprised of HLX04 and HLX10 for the treatment of advanced solid tumours, funding the ongoing clinical trials, regulatory filing and registration for other biosimilar candidates, including HLX12, HLX11 and HLX14, and funding the ongoing clinical trials, regulatory filing and registration for bio-innovative drugs (HLX06 and HLX07), to the funding of ongoing clinical trials, regulatory filing and registration for bio-innovation drugs－HLX10 and immuno-oncology combination therapies involving HLX10 (including HLX10+HLX07). The Board approved the change in the use of net proceeds and was of the view that it was in the interest of the Company and the Shareholders as a whole and would not have any material adverse effect on the existing business and operations of the Group.

(2) On 18 August 2022, in order to improve the efficiency of the use of the net proceeds and maximise the interests of investors, the Company continued to monitor and plan the use of the net proceeds. The Board considered the research and development progress of other biosimilar candidates, including HLX12, HLX11 and HLX14, by comprehensively taking into account the progress of the Company's products in its pipeline and the timeframe for the use of funds, and considered that reallocating the unutilised net proceeds originally allocated to the ongoing clinical trials, regulatory filing and registration for HLX04 for the mCRC indication, and developing immuno-oncology combination therapy comprised of HLX04 and HLX10 for the treatment of advanced solid tumours into the ongoing clinical trials, regulatory filing and registration for other biosimilar candidates, including HLX12, HLX11 and HLX14, would facilitate the advancement of clinical trials, regulatory filing and registration of relevant biosimilar candidates, which in turn will enhance the overall efficiency of the use of the unutilised net proceeds. The Board approved to change the use of net proceeds and was of the view that it was in the interest of the Company and the Shareholders as a whole and would not have any material adverse effect on the existing business and operations of the Group.

(3) The net proceeds figures have been translated to Renminbi for the allocation and the utilization calculation, and have been adjusted slightly due to the fluctuation of the foreign-currency exchange rates since the listing and proportionally in accordance with the Prospectus after taking into account the final offer price of the Global Offering and the partial exercise of the over-allotment option. Please see the Announcements for details of the adjustment of the use and allocation of the net proceeds from the Global Offering.

(4) Given the funding, investment, research and development projects were making progress at different paces, the then-management of the Company entered into the IMA with AMTD on 25 September 2019 to engage AMTD to provide investment management services in connection with US$117.0 million deposited into the investment portfolio account with AMTD. As of the date of this report, the Company has redeemed approximately US$50.6 million from the investment account, with outstanding principal balance of approximately US$66.4 million. Please see the announcement of the Company dated 31 March 2023 for details. In order not to affect the progress of the funding, investment, research and development projects of the Company, the management decided in July 2022 that self-owned liquidity of US$69.7 million (approximately RMB470 million) would be used in the funding, investment, research and development projects of the Company, out of which, RMB226.7 million would be allocated to fund the ongoing clinical trials, regulatory filing and registration for other biosimilar candidates, including HLX12, HLX11 and HLX14; RMB243.3 million would be allocated to fund the ongoing clinical trials, regulatory filing and registration for bio-innovation drugs – HLX10 and immuno-oncology combination therapies involving HLX10 (including HLX10+HLX07).

(5) The unutilised amount of approximately RMB10.9 million for the financial year ended 31 December 2022 arising from differences in effective exchange rate and other factors due to the exchange of self-owned liquidity of US$69.7 million as stated in note (4) into RMB in tranches was used to fund the ongoing clinical trials, regulatory filing and registration for bio-innovation drugs – HLX10 and immuno-oncology combination therapies involving HLX10 (including HLX10+HLX07) during the Reporting Period.

(6) At the end of the Reporting Period, the investments in the funding, investment, research and development projects have been completed (the investment amounts include the proceeds from the Global Offering of RMB2,320.0 million and the self-owned liquidity of RMB480.9 million). However, as of the date of this report, repayment term for the outstanding principal is still uncertain under the IMA, with respect to the lawsuit filed by AMTD against the Company in the Court of First Instance of the High Court of Hong Kong in respect of the IMA, the Court granted an order on 6 November 2023 by consent of the parties, inter alia, that the court proceedings be stayed in favour of arbitration, details of which are set out in the announcement of the Company dated 31 March 2023, the section headed "Update on the AMTD Matter" in the interim results announcement for the six months ended 30 June 2023 dated 25 August 2023, and the section headed "Legal Disputes in relation to the Investment Management Agreement" in the inside information announcement dated 10 November 2023. The Company will continuously communicate and negotiate with AMTD on the collection of outstanding principal, and will conduct the review procedures and disclose relevant information in a timely manner pursuant to applicable Listing Rules as and when appropriate.

PROPOSED A SHARE OFFERING ON THE SHANGHAI STOCK EXCHANGE

On 30 March 2020, the Company has announced the proposal to make an application to the relevant regulatory authorities in the PRC for the allotment and issue of A Shares and an application to the Shanghai Stock Exchange for the listing of, and permission to deal in, the A Shares on the Science and Technology Innovation Board of Shanghai Stock Exchange. The resolutions on the proposed A Share offering and the resolution on the extension of the A Share Offering and Listing were duly passed on 12 June 2020, 25 May 2021 and 13 May 2022, respectively. On 3 July 2023, the Board of the Company decided to discontinue the A Share offering and listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange.

The Company has not conducted any fund-raising activities involving the issue of equity securities within 12 months immediately prior to the Latest Practicable Date.

SUBSEQUENT EVENTS

There were no material subsequent events since the end of the Reporting Period and as at the Latest Practicable Date.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. During the Reporting Period, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

SIGNIFICANT LEGAL PROCEEDINGS

Reference is made to the announcement of the Company dated 10 November 2023 in relation to, among other things, the related legal dispute arising from the investment management agreement entered into between Company and the Investment Manager.

On 30 August 2023, the Company filed an application with the Court for stay of the Court Proceedings in favour of arbitration. Subsequently, on 6 November 2023, the Court granted an order by consent of the parties, inter alia, that the Court Proceedings be stayed in favour of arbitration. As the arbitration proceedings are ongoing, the Company will inform Shareholders of the development in due course.

RELATIONSHIP WITH STAKEHOLDERS

The Company recognises that its employees, customers and business partners are keys to its sustainability journey. The Company has been striving to achieve corporate sustainability through engaging its employees, providing quality services for its customers, collaborating with business partners and supporting communities.

The Company places significant emphasis on human resources. The Company provides a fair workplace, promoting non-discrimination and diversity to its staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance. The Company provides regular trainings for staff to keep them abreast of the latest developments in the market and industry, by means of both internal trainings and trainings provided by experts from external organisations.

To enhance customer satisfaction and promote a customer-oriented culture within the Group, the Company takes "Customer First" as one of its core values. It values the feedback from customers and collects feedbacks through daily communication, regular meeting, etc. It has also established the mechanism about customer service, support and complaints. When dealing with a customer complaint, the Company treats it as an opportunity to improve its relationship with the customer, and solves it in a timely manner and in accordance with international standards.

The Company believes that its suppliers are equally important in driving quality delivery of its products. It proactively collaborates with its business partners (including suppliers and contractors) to deliver high-quality and sustainable products and services.

AUDITORS

The financial statements of the Group have been audited by Ernst & Young.

A resolution to re-appoint Ernst & Young as the auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board
Wenjie Zhang
Chairman
Hong Kong, 21 March 2024

REPORT OF THE BOARD OF SUPERVISORS

During the reporting period, in accordance with the Company Law, the Listing Rules and other relevant laws, regulations and the Articles of Association, the Rules of Procedures of the Board of Supervisors and relevant regulations, all members of the Board of Supervisors performed their supervisory functions, carefully and objectively considered the issues related to the finance and operation of the Company, and earnestly supervised the legality and compliance of Directors' and senior management's performance. They have fully developed the supervisory role, and played an active role in ensuring the implementation of resolutions passed on general meetings of the Company, and safeguarding the legitimate rights and interests of the Company and Shareholders as a whole.

THE DAILY OPERATION OF THE BOARD OF SUPERVISORS

During the reporting period, the third session of the Board of Supervisors of the Company held a total of 4 meetings, which reviewed the financial situation and other annual events for the year 2022 of the Group, and the financial position for the first quarter, the first half year and the third quarter of 2023 and other relevant matters.

REVIEW OPINIONS OF THE BOARD OF SUPERVISORS ON THE RELATED MATTERS OF THE COMPANY IN 2023

1. Compliance with Laws in Operations

   The Board of Supervisors considers that, the Company can operate in strict accordance with the requirements of the Company Law, the Articles of Association, and other relevant requirements. The Company's decision-making procedures are legal and effective, and an internal control system is in place. No violations of laws, regulations, the Articles of Association or any detriment to the interests of the Company were found when the Directors and senior management of the Company performing their functions.

2. Financial Position

   The Board of Supervisors considers that the preparation and review procedures of the Company's financial reports are in compliance with the Company Law and the Articles of Association and other relevant provisions, and the financial report can authentically reflect the Group's operating conditions and financial position, with no significant omissions or false statements.

3. Internal Control

   The Board of Supervisors considers that, the Company has established an internal control system, which is in compliance with relevant requirements such as the Company Law and the Articles of Association. Regarding the investment management transaction disclosed by the Company on 31 March 2023, the Board of Supervisors will continue to monitor the relevant progress and the overall internal control situation of the Company, and safeguard the rights and interests of the Company and all the Shareholders. The Company established an Independent Investigation Committee on 19 April 2023 to conduct an independent investigation into the investment management incident. In this regard, the Independent Investigation Committee has engaged a professional consultant to conduct a forensic investigation and internal control review. The forensic investigation and internal control review have been completed. After completing the forensic investigation and internal control review, the professional consultant found issues in the Company's internal control system and made corresponding rectification recommendations. The Company has implemented the rectification recommendations made by the professional consultant based on the findings of the internal control review, and the professional consultant has confirmed that the internal control issues have been rectified. For details of the key findings of the internal control review and the relevant rectification, please refer to page 74 of the Corporate Governance Report and the announcement uploaded by the Company on the website of the Stock Exchange on 20 December 2023.

4. Connected Transactions

   The Board of Supervisors considers that, during the reporting period, the Company's connected transactions were carried out in accordance with the principles of openness, fairness and equity, and the transaction procedures were legal and compliant, without any detriment to the rights and interests of the Company and Shareholders.

On Behalf of the Board of Supervisors
Rongli Feng
Chairman
Hong Kong, 21 March 2024

CORPORATE GOVERNANCE REPORT

The Board hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2023.

CORPORATE CULTURE

The corporate culture of the Company includes mission, vision, core value and quality culture.

– Mission: To improve patients' lives by timely providing them with quality and affordable protein therapeutics through technical innovation and operational excellence.

– Vision: Be the most trusted biopharma providing innovative and affordable medicines for all patients.

– Core Value: Honesty, Execution, Nurturing, Leadership, Innovation, Uncompromising on Quality, Science & Strategy-oriented.

– Quality Culture: Quality of Talent, Quality of Execution, Quality of Collaboration, Quality of Decision, Quality of Innovation, Quality of Communication, Quality of Product.

The strategic development planning and decisions made by the Company are in line with the Company's corporate culture. Adhering to the "patient-centered" core principle, the Company creates a "Quality Culture" with Henlius characteristics by integrating "Quality" elements into the overall operation of the Company. To ensure that the corporate culture has been spread clearly to all employees, the Company has incorporated the promotion of corporate culture into various aspects, such as the employee handbook, training and development and performance evaluation. Meanwhile, the Company carried out a series of publicizing and implementation activities from every aspect, strengthened and improved the communication mechanism between management and employees, deepened employees' understanding and recognition of corporate culture through various ways to further guide employees' daily behaviors.

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs the management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to Shareholders;

– that the interests of those who deal with the Company are safeguarded;

– that overall business risk is understood and managed appropriately;

– the delivery of high-quality products and services to the satisfaction of customers; and

– that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code.

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

In the opinion of the Directors, the Company has complied with all principles and code provisions of the CG Code during the Reporting Period, except for code provision C.2.1 which requires the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The details of deviation and re-compliance are set out in section headed "CHAIRMAN AND CHIEF EXECUTIVE OFFICER" below in this corporate governance report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding the securities transactions of Directors, Supervisors and relevant employees who are likely to be in possession of inside information of the Company.

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

No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

The Board of the Company currently comprises the following Directors:

Executive directors

Mr. Wenjie Zhang *(Chairman)*
Mr. Jun Zhu *(Chief Executive Officer)*

Non-executive directors

Mr. Qiyu Chen
Mr. Yifang Wu
Ms. Xiaohui Guan
Mr. Deyong Wen
Dr. Xingli Wang

Independent non-executive directors

Mr. Tak Young So
Dr. Lik Yuen Chan
Dr. Guoping Zhao
Dr. Ruilin Song

Mr. Wenjie Zhang resigned as the Chief Executive Officer of the Company on 17 July 2023. Mr. Jun Zhu was appointed as the Chief Executive Officer of the Company on 17 July 2023.

Mr. Zihou Yan resigned as a non-executive Director of the Board on 17 July 2023. Mr. Jun Zhu was appointed as an executive Director of the Board on 28 August 2023, and Dr. Xingli Wang was appointed as a non-executive Director of the Board on 28 August 2023.

The biographical information of the Directors is set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 86 to 93 of this annual report.

None of the members of the Board is related to one another, including financial, business, family, or other material or relevant relationship(s).

Chairman and Chief Executive Officer

Code provision C.2.1 of CG Code provides that roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The chairman of the Board leads and is responsible for the effective functioning of the Board of the Company. The terms of reference of the chief executive officer are set out in the Articles of Association. The chief executive officer is responsible for organising the formulation and implementation of the Company's strategic plan, annual investment plan, and implementing Board resolutions.

From the beginning of the Reporting Period to 17 July 2023, Mr. Wenjie Zhang served both as the chairman of the Board and chief executive officer of the Company, resulting the deviation of the code provision by the Company. Mr. Wenjie Zhang joined the Company in March 2019 and has successively served in various key positions in the Company, including the chief commercial operation officer and chief strategy officer of the Company, his familiarity with the business operation of the Company and his roles as the chairman of the Board and the chief executive officer of the Company can facilitate the formulation and implementation of business strategies of the Company. In addition, the Board, which comprised one executive Director, five non-executive Directors and four independent non-executive Directors from the beginning of the Reporting Period to 17 July 2023, is appropriately structured with a balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders as a whole. Since 17 July 2023, Mr. Jun Zhu has been appointed as the Chief Executive Officer of the Company following the resignation of Mr. Wenjie Zhang as the Chief Executive Officer. Therefore, the Company has been in compliance with all applicable code provisions of the CG Code from 17 July 2023 to the Latest Practicable Date.

Independent Non-executive Directors

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

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

Mechanisms to Ensure Independent Views and Input are Available to the Board

The Board has established mechanisms to ensure independent views and input are available to the Board, including all the Directors have full and timely access to the information of the Company (including but not limited to financial reports, audit results and other relevant data) as well as the advice and services of the Company Secretary and other senior managements; Board members have access to necessary professional advice in their decision-making process. The Board may, in appropriate circumstances, seek independent professional advice at the Company's expenses to assist them; Board members are also encouraged to seek inputs from other members, employees and other stakeholders in appropriate circumstances to ensure that different perspectives are taken into account in the decision-making process, etc.

The Board has reviewed and considered that the above mechanisms are effective in ensuring that independent views and input are provided to the Board during the year ended 31 December 2023.

Appointment, Removal and Re-election of Directors

Directors shall be elected at the general meeting and the term of office of each Director (including non-executive Director) shall be three years. The term of office of a Director maybe renewed upon re-election when it expires. The chairman of the Board shall be elected and removed by a majority of all Directors, and term of office thereof shall be three years, and may be renewed upon re-election when it expires.

The Articles of Association provides that subject to the relevant regulations and regulatory rules of the place where the shares of the Company are listed, if the Board appoints a new Director to fill up the temporary vacancy of the Board or add the number of Directors, the term of office of the Director so appointed shall end only upon the next annual general meeting of the Company, and the said Director shall be qualified for re-election and renewal.

Under the Articles of Association, in case a Director has failed to be present in person twice consecutively without any due causes, nor authorised another Director to be present at the board meeting on his behalf, he shall be considered unable to fulfil his duties as a Director, and the Board may suggest the general meeting making replacement.

In accordance with the Articles 102 of the Articles of Association, all existing Directors will continue in office until their term of office expiring on 27 July 2025.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

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

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

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

Continuous Professional Development of Directors

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

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

During the Reporting Period, the Company organised training sessions conducted by the lawyer for its Directors. Such training sessions cover a wide range of relevant topics including Directors' duties and responsibilities/corporate governance etc. In addition, relevant reading materials including Directors' manual/legal and regulatory update/seminar handouts have been provided to the Directors for their reference and studying.

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

The records of continuous professional development relating to Director's duties and regulatory and business development that have been received by the Directors during the Reporting Period are summarised as follows:

Name of Directors	Types of Training[Note]
Executive Directors	
Mr. Wenjie Zhang	A&B
Mr. Jun Zhu(1)	A&B
Non-executive Directors	
Mr. Qiyu Chen	A&B
Mr. Yifang Wu	A&B
Ms. Xiaohui Guan	A&B
Mr. Deyong Wen	A&B
Dr. Xingli Wang(2)	A&B
Mr. Zihou Yan(3)	A&B
Independent Non-executive Directors	
Mr. Tak Young So	A&B
Dr. Lik Yuen Chan	A&B
Dr. Guoping Zhao	A&B
Dr. Ruilin Song	A&B

Notes:

(1) Mr. Jun Zhu was appointed as an executive Director on 28 August 2023.

(2) Dr. Xingli Wang was appointed as non-executive Director on 28 August 2023.

(3) Mr. Zihou Yan resigned as a non-executive Director on 17 July 2023.

Types of Training

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

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEE

The Board has established a total of five committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee, Strategy Committee and Environmental, Social and Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit Committee

The Audit Committee consists of three members, namely Ms. Xiaohui Guan who is a non-executive Director of the Company, and Mr. Tak Young So and Dr. Lik Yuen Chan who are independent non-executive Directors of the Company. Mr. Tak Young So is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Reporting Period, the Audit Committee held a total of 4 meetings for reviewing the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and arrangements etc. for the audit to raise concerns about possible improprieties.

The Audit Committee also held a total of 3 meetings with the external auditors.

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Yifang Wu who is a non-executive Director of the Company, and Dr. Lik Yuen Chan and Dr. Ruilin Song who are independent non-executive Directors of the Company. Dr. Ruilin Song is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are no less exacting than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; reviewing/approving matters relating to the share scheme in accordance with the Listing Rules and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the Reporting Period, the Remuneration Committee held a total of 5 meetings to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management, reviewing/approving matters relating to the share award schemes and other related matters.

Details of the remuneration of the Directors and senior management are set out in note 9 to the financial statements for the year ended 31 December 2023.

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Wenjie Zhang who is an executive Director of the Company, and Dr. Guoping Zhao and Dr. Ruilin Song who are independent non-executive Directors of the Company. Mr. Wenjie Zhang is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are no less exacting than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, reviewing the board diversity policy and the policies related to the nomination of Directors and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy.

In evaluating and nominating suitable candidates for directorships, the Nomination Committee would consider the following criteria of the candidate as per the policies related to the nomination of Directors and the candidate's relevant criteria are necessary to implement the corporate strategy and achieve Board diversity, where appropriate before making recommendation to the Board:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and the experience related to the Company's business and strategy, and diversity factors as referred in the board diversity policy;
- any measurable objectives adopted for achieving diversity on the Board;
- the Board shall include independent non-executive Directors in accordance with the Listing Rules and whether the candidate would be considered independent by reference to the independence guidelines set out in the Listing Rules;
- any potential contributions the candidate can make to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- the willingness and ability to devote adequate time to discharge duties as a member of the Board and Board committee(s); and
- other factors that are applicable to the Company's business and succession plan, and relevant factors that can be revised by the Nomination Committee and/or the Board when necessary.

During the Reporting Period, the Nomination Committee held a total of 4 meetings to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider and recommend to the Board on the appointment of Directors and senior management.

Strategy Committee

The Strategy Committee consists of eight members, namely Mr. Wenjie Zhang and Mr. Jun Zhu who are executive Directors of the Company, Mr. Qiyu Chen, Mr. Yifang Wu, Mr. Deyong Wen and Dr. Xingli Wang who are non-executive Directors of the Company, and Mr. Tak Young So and Dr. Ruilin Song who are independent non-executive Directors of the Company. Mr. Wenjie Zhang is the chairman of the Strategy Committee.

The main responsibility of the Strategy Committee is to conduct research on the Company's long-term development strategies and significant investment decisions and make recommendations to the Board of the Company, including:

- studying and making recommendations on the Company's long-term strategic development plan;
- tackling other matters related to strategic investment as required by the laws, regulations, regulatory documents, Listing Rules, Articles of Association and other internal management systems of the Company or authorised by the Board;
- studying and making recommendations on other significant events that affect the Company's development;
- inspecting the implementation of the above matters approved by the Board or the general meeting; and
- studying and making recommendations on significant investments, financing, significant capital operations, and asset operating projects subject to the approval by the Board or the general meeting as required by the Articles of Association or other internal management systems of the Company.

During the Reporting Period, the Strategy Committee held 2 meetings in total.

Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee consists of five members, namely Mr. Wenjie Zhang and Mr. Jun Zhu who are executive Directors of the Company, and Mr. Tak Young So, Dr. Lik Yuen Chan and Dr. Ruilin Song who are independent non-executive Directors of the Company. Dr. Lik Yuen Chan is the chairman of the Environmental, Social and Governance Committee.

The main responsibility of the Environmental, Social and Governance Committee is to develop the vision, objectives, strategies and structure for the Company's environmental, social and governance efforts, and to review matters related to the implementation of the vision, strategies and structure in environmental, social and governance terms.

During the Reporting Period, the Environmental, Social and Governance Committee held 2 meetings in total.

Board Diversity Policy

The Company has adopted the board diversity policy, which sets out the approaches to achieve the diversity of the Board. The Company recognises that the Board shall possess the skills, experience and principles of diverse opinions and perspectives that are necessary and appropriate to the Company's business. The Board will review the implementation and effectiveness of the board diversity policy at least on an annual basis.

Pursuant to the board diversity policy, the Nomination Committee has reviewed the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile during the Reporting Period. In order to achieve diversity in opinions and perspectives of the members of the Board, the Nomination Committee will consider diverse factors in appointment and re-appointment of members of the Board, including gender, age, cultural and educational background, race, place of residence, expertise, skills, knowledge, service period, regulatory requirements and legal rights. All of the above factors are considered to be relevant to the Company's business on the grounds that:

– As the Company facing diverse operating environment, in order to fulfil the best interests of Shareholders, due consideration shall be given to the interests of employees, customers, suppliers and other business counterparties, governments and other institutions that have an influence on the Company and public shareholders. The composition of the Board that is based on the gender, age, cultural and educational background and race of the members can help strike a right balance among the interests of all parties.

– Expertise, skills, knowledge, and service period are important factors that determine whether the Board can make a wise decision.

All members of the Board are appointed based on the strengths of the candidates, taking into account their skills, knowledge and experience as a whole as required by the Board and the above diverse opinions and perspectives of the Board.

The Board had targeted to achieve and had achieved at least 9.1%(1) of female Directors, and considers that the above current board diversity is satisfactory.

In considering the Board's succession and to ensure diversity at the Board level, the Nomination Committee will engage independent professional search firm(s) to help identify suitable candidates for consideration as non-executive Directors as and when appropriate. The Board will continue to take opportunities to increase the proportion of female Directors over time as and when suitable candidates are identified.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio and numbers in the workforce of the Group, including the Board and senior management as at the date of this annual report:

	Female (ratio/number)	Male (ratio/number)
Board	9.1% (1)	90.9% (10)
Senior Management	57.1% (4)	42.9% (3)
Other employees	51.2% (1,857)	48.8% (1,773)
Overall workforce	51.2% (1,861)	48.8% (1,776)

The Board had targeted to achieve and had achieved at least 9.1%(1) of female Directors, 57.1%(4) of female senior management and 51.2%(1,861) of female employees of the Group and considers that the above current gender diversity is satisfactory. The Company is not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report.

Corporate Governance Functions

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

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosures in this corporate governance report.

ATTENDANCE RECORDS OF DIRECTORS

The Company held 22 Board meetings, 4 Audit Committee meetings, 5 Remuneration Committee meetings, 4 Nomination Committee meeting, 2 Strategy Committee meetings, 2 Environmental, Social and Governance Committee meetings and 4 general meetings during the Reporting Period.

The attendance record of the Board meetings and Board committee meetings and the general meetings of the Company during the Reporting Period is set out in the table below:

	Attendance/number of Meetings						
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee	Environmental, Social and Governance Committee	General Meeting[1]
Mr. Wenjie Zhang	22/22			4/4	2/2	2/2	4/4
Mr. Jun Zhu[2]	11/11				1/1	1/1	1/1
Mr. Qiyu Chen	22/22				2/2		4/4
Mr. Yifang Wu	22/22		5/5		2/2		4/4
Ms. Xiaohui Guan	22/22	4/4					4/4
Mr. Deyong Wen	22/22				2/2		4/4
Dr. Xingli Wang[3]	11/11				1/1		1/1
Mr. Zihou Yan[4]	11/11				1/1	1/1	3/3
Mr. Tak Young So	22/22	4/4			2/2	2/2	4/4
Dr. Lik Yuen Chan	22/22	4/4	5/5			2/2	4/4
Dr. Guoping Zhao	22/22			4/4			4/4
Dr. Ruilin Song	22/22		5/5	4/4	2/2	2/2	4/4

Notes:

(1) During the Reporting Period, the Company held a total of 4 general meetings, including 1 annual general meeting, 1 extraordinary general meeting, and 1 domestic shareholders' class meeting and 1 H shareholders' class meeting.

(2) Mr. Jun Zhu was appointed as an executive Director, a member of the Strategy Committee and a member of the Environmental, Social and Governance Committee on 28 August 2023.

(3) Dr. Xingli Wang was appointed as a non-executive Director and a member of the Strategy Committee on 28 August 2023.

(4) Mr. Zihou Yan resigned as a non-executive Director, a member of the Strategy Committee, and a member of the Environmental, Social and Governance Committee on 17 July 2023.

For the year ended 31 December 2023, the chairman held one meeting with independent non-executive Directors without the presence of other Directors.

The independent non-executive Directors and non-executive Directors have attended general meetings of the Company to gain and develop a balanced understanding of the view of the Shareholders.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

– the Audit Committee of the Company assists the Board in leading the management and oversees the formulation, implementation and monitoring of the risk management and internal control systems.

– the Company has established an internal audit department as the full-time internal control agency. The internal audit department implements supervision and management in the course of business operation of the Company. The internal audit department uses the auditing technology to conduct real-time and post-event supervision and audit of the Company's daily business to ensure that the Company's business operations continue to meet the Company's system requirements and external regulatory requirements.

– the Company has established risk management and internal control systems and updates them from time to time, enabling the Company to maintain the highest standard of corporate governance and identify and reduce any potential risks.

– the Company has developed effective risk management procedures and internal control systems based on the corporate governance manual, and implemented them in the Company's daily business and various functions, such as research and development, production, sales, procurement, engineering, assets, human resources, information technology, financial reporting and management.

– the Company has formulated a number of policies to ensure that the Company complies with the Listing Rules, including but not limited to corporate governance generally, connected transactions, notifiable transactions, inside information and Directors' securities transactions.

The core departments conducted internal control assessment regularly to identify risks that could potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security.

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

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems based on information we have for now and will do continues efforts to ensure the effectiveness of the risk management and internal control systems.

The Internal Audit Department is responsible for performing independent review of the effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting control and other management controls and reported its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2023, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

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

During the year, the Company has conducted an independent investigation into the investment incident and an internal control review. The key findings and remedial actions of the internal control review are summarised below:

Key findings	Rectification recommendations	Remedial actions and remedial status
1. Deficiencies in rules governing investment management projects At the time when the then chief financial officer of the Company signed the Investment Management Agreement with the Investment Manager, the Company had not formulated any specific policies governing matters relating to investment management. The Business Funds Management Rules effective at the material time only required the Company to submit the proposed investment plan and investment management contract to its controlling shareholder if the investment projects relate to derivatives trading or wealth management. Before entering into the aforementioned investment projects, the Company has to go through the relevant approval procedures (for clarity, this is because the controlling shareholder is listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange and has its own internal control requirements on its subsidiaries).	(i) If the management of the Company decides that the Company will not be engaged in any type of investment business in the foreseeable future, the Company's rules should expressly prohibit such investment activity and the Company should take steps to ensure the policy is adequately promoted and implemented; or (ii) If the management of the Company decides that the Company will continue to engage in investment businesses, the Company should specify a mainly responsible department that oversees investment management and formulate relevant policies governing investment management in accordance with the Company's investment direction and risk appetite. These policies should also be approved by the Board and thereafter be used as the basis for all investment-related activities.	The Company has added references in the revised Business Funds Management Rules prohibiting investment in stocks, bonds, funds and real estate. For mergers and acquisitions or entry into a new market, the Company shall follow the Authorisation and Approval Rules. In September 2023, the Company circulated the revised Business Funds Management Rules internally in order to promote and implement the revised Business Funds Management Rules. No prohibited investments were made by the Company during the rectification period.

Key findings	Rectification recommendations	Remedial actions and remedial status
2. Compliance adviser was not consulted before entering into the Investment Management Agreement The Company did not consult its compliance adviser before entering into the Investment Management Agreement.	When engaging in investment activities, the Company should consult its compliance advisor in a timely manner in order to ensure compliance with the Listing Rules.	The Company has added references in the revised Business Funds Management Rules prohibiting investment in stocks, bonds, funds and real estate. For M&A Activities, the Company shall follow the Authorisation and Approval Rules. In September 2023, the Company circulated the revised Business Funds Management Rules internally in order to promote and implement the revised Business Funds Management Rules. In addition, the Company has conducted a routine training regarding listed companies' compliance matters for its directors, supervisors, senior management and all its employees. No prohibited investments were made by the Company during the rectification period.
3. Investment project was not reported to the parent company for approval According to the Company's Business Funds Management Rules, the responsible department is required to submit proposed management plans and relevant contract(s) to its controlling shareholder for approval (for clarity, the approval procedures relate to the applicable approval procedures in accordance with the regulatory requirements of the place of listing) in relation to wealth management projects. However, prior to entering into the Investment Management Agreement, the Company did not comply with the aforementioned procedures.	(i) The Company is recommended to strictly implement and adhere to the Business Funds Management Rules and shall not engage in high-risk capital businesses. For capital businesses that are subject to approval procedures, the Company shall prepare the corresponding management plans and contracts in accordance with the Business Funds Management Rules and submit them to the controlling shareholder to go through the applicable approval procedures in accordance with the regulatory requirements of the place of listing before engaging in such businesses; and (ii) The Company is recommended to embed a culture of compliance and enhance employees' awareness on compliance.	The Company has added references in the revised Business Funds Management Rules prohibiting investment in stocks, bonds, funds and real estate. For M&A Activities, the Company shall follow the Authorisation and Approval Rules. In addition, in September 2023, the Company circulated the revised Business Funds Management Rules internally in order to promote and implement the revised Business Funds Management Rules. No prohibited investments were made by the Company during the rectification period.

Key findings	Rectification recommendations	Remedial actions and remedial status
4. Investment Incident was non-compliant with the Company's policy in relation to decisions making process of the Board According to the Company's articles of association, investment project plans must be submitted to the Board for approval. However, the Company was unable to provide supporting documents indicating that prior approval from the Board was obtained before entering into the Investment Management Agreement.	(i) Before carrying out its business operations, the Company should emphasize the importance and necessity of adhering to the decision-making procedures of the Board, and it should require employees of different levels and the management to strictly adhere to the internal rules of the Company and the relevant procedures as set out in the Company's articles of association; and (ii) The Company is recommended to embed a culture of compliance and enhance employees' awareness on compliance.	The Company has added references in the revised Business Funds Management Rules prohibiting investment in stocks, bonds, funds and real estate. For M&A Activities, the Company shall follow the Authorisation and Approval Rules. In addition, the Company has conducted a routine training regarding listed companies' compliance matters for its directors, supervisors, senior management and all its employees. No prohibited investments were made by the Company during the rectification period.
5. Investment Management Agreement not approved as required When the then chief financial officer of the Company signed the Investment Management Agreement on 25 September 2019, the Company did not have a system governing the counterparty review process, or the approval, signing and filing procedures of the contracts. According to the authorisation and approval rules that was in effect at the relevant time, before the Company could enter into a contract, the relevant personnel have to submit an application for approval to enter into a contract and obtain approval from the staff from different departments and the Company's decision-makers in the approval process. However, the Company was unable to provide the approval records evidencing the Company obtained the necessary approvals before entering into the Investment Management Agreement.	The Company is recommended to strengthen the promotion and implementation of the Contract Management Rules, and require all employees to adhere to them when entering into and signing contracts.	The Company has implemented policies governing matters relating to the contract approval procedures and dispute resolutions procedures and has circulated an internal email reminding employees of the requirements of relevant procedures. The Company has consolidated the process for approval of contracts as stipulated in the Contract Management Rules.

Key findings	Rectification recommendations	Remedial actions and remedial status
6. Process of approval for payment of investment management fees is inconsistent with Company's policies The Company paid the Investment Manager a sum of US$3,510,000 as investment management fees under the Investment Management Agreement. However, in the relevant application for internal approval for payment of the fees, there is evidence to suggest that the type of business and reason for payment were not accurately recorded. The Company was also unable to provide documents evidencing that payment of the fees was either approved by the chairman of the Board or the Board itself.	(i) It is recommended that the Company strengthen the training of employees in the Finance Department to ensure that the Company's business operations comply with its financial regulations and accounting-related laws and regulations; (ii) In relation to fee payments, the relevant personnel should ensure that the payment approval procedures are complied with and such payment has been approved by the relevant decision-maker(s) before making payments to external parties; and (iii) The Company should enhance promotion on its reporting mechanisms and encourage employees to report violations of Company regulations in a timely manner.	During the rectification period, the Company has completed approval through the office automation system in accordance with the Authorisation and Approval Rules before payments were made to external parties. In addition, the Company's "Guide on Reporting and Handling of Compliance and Ethics Violations" sets out the internal reporting mechanism and reporting channels within the Company. The Company has also published the reporting mechanisms on its intranet.
7. No tracking on investment project The Investment Management Agreement provides that the Investment Manager shall provide the Company with quarterly statements within fifteen business days of the end of each quarter. As of 31 March 2023, the Company has not received and was thus not able to provide all the quarterly statements from 2019 to 2022. In relation to its investment business, the Company has not established relevant policies and procedures to promptly track the investment positions, returns and other relevant matters.	The Company is recommended to establish tracking and management mechanism for its investments in order to obtain relevant information (such as statements and relevant data for verification) in a timely manner. The Company should track and record the latest status of its investment targets, record the relevant information and report them to the management in a timely manner.	The Company has added references in the revised Business Funds Management Rules prohibiting investment in stocks, bonds, funds and real estate. For M&A Activities, the Company shall follow the Authorisation and Approval Rules. No prohibited investments were made by the Company during the rectification period.

Key findings	Rectification recommendations	Remedial actions and remedial status
8. Documents relating to the investment project were not properly kept Before 1 January 2020, the Company did not have a system for contract management, and the documents in relation to the investments were not properly kept. In addition, the Company was unable to provide the original copy of the Investment Management Agreement, the executed version of some relevant documents that were signed by all relevant parties, and certain documents which were mentioned by some of the interviewees.	The Company is recommended to strengthen the promotion and implementation of rules governing contract management, and require all employees to adhere to such rules to file all contracts.	The File Management Rules established by the Company specifies how different documents should be classified and filed. In September 2023, the Company circulated the File Management Rules internally in order to promote and implement the File Management Rules. The Contract Management Rules established by the Company clarifies which department is responsible for reviewing the content of the contracts. Business departments are responsible for filing contracts in a timely manner, and they are also required to keep the original copy of the finalised and signed contract. A scanned copy of the contract shall be uploaded to the Company's file management system.
9. Improvement in employee handover procedures The Company has not fully implemented the departure and handover procedures of employees, and the relevant handover procedures needs to be optimised.	(i) All employees of the Company are encouraged to strictly adhere to the rules and regulations governing the departure and handover procedures of employees. The Human Resources Department must confirm that the relevant handover procedures are completed before it issues a certificate of employment; (ii) The Company is recommended to improve the current employee departure procedures. It is recommended that other departments (such as the IT Department) should first review the departing employee's handover form. Only when those departments have provided the relevant confirmations shall the Finance Department review and calculate and/or verify the compensation amount (if any); and (iii) In order to further enhance the data security of the computers of the Company's employees, and to minimise the risk of data leakage if the employees' computers are lost, stolen or improperly destroyed, the Company is recommended to utilise software for data encryption and identity authentication.	The Company has improved the current departure and handover procedures of employees. The Company has informed its employees of the updated IT security rules through emails and clarified that it is mandatory to carry out computer data backup measures in the case of departures of middle to senior level management staff. In addition, the Company has formulated information safety management rules which requires backup of the organisation's important messages and the information system and regularly testing on the status of backed up data. Also, the Company has obtained the relevant qualification certification for its information security management system.

Key findings	Rectification recommendations	Remedial actions and remedial status
10. Failure to report promptly internal control deficiencies in relation to the Investment Incident to the Board A number of internal control deficiencies were identified by the Internal Audit Department and Internal Control Department when investigating the Investment Incident, but there was no evidence indicating that they were reported to the Board or the audit committee of the Company.	(i) It is recommended that the Internal Audit Department strictly adhere to the Internal Audit Rules to report any issues discovered during the audit process to the Board and audit committee in a timely manner; (ii) It is recommended that the Company shall ask employees to sign a commitment letter on work ethics; and (iii) The Company shall carry out audit review regularly and the Board can consider engaging an independent third-party auditor to take part in the audit review.	The Company's Internal Audit Department has confirmed that it will strictly adhere to the Internal Audit Rules to report any issues discovered in the audit review process to the Board and audit committee. The Company has also published and circulated the Employee Handbook which sets out the code of conduct for employees, and the Company has provided training to employees of different seniorities on business ethics and compliance matters and signed compliance confirmations with employees.
11. Annual internal audit plan was not promptly reported to the Board and audit committee Pursuant to the Company's Internal Audit Rules, the Internal Audit Department should submit an internal audit work plan for the coming year and an internal audit report regarding the work conducted in the previous year to the Board and the audit committee within 2 months of the end of each financial year. However, the 2023 audit work plan was submitted to the Board and the audit committee after the 2 months period.	It is recommended that the Internal Audit Department adhere to the requirements of the Internal Audit Rules and submit the internal audit work plan to the Board and the audit committee for review.	The Company has formulated the internal audit plan for 2023 in accordance with the Internal Audit Rules and has submitted the same to the Board and audit committee.
12. Failure to publicly disclose the Investment Management Agreement The Company entered into the Investment Management Agreement with the Investment Manager on 25 September 2019, but failed to announce in accordance with the Listing Rules and the internal guidance on information disclosure.	(i) It is recommended that the Company provide training on compliance with the Listing Rules and the internal guidance on information disclosure and promote and implement the relevant rules and procedures; and (ii) It is recommended that the Company provide training to senior management in order to enhance their awareness and knowledge of the Listing Rules.	The Company has conducted training regarding compliance with the Listing Rules for its Directors, supervisors, senior management and all its employees. The training covered topics such as Listing Rule requirements and enforcement examples in relation to inside information, insider dealing and notifiable transactions.

Key findings	Rectification recommendations	Remedial actions and remedial status
13. Business Department failed to consult the Legal and Compliance Department when disputes arose in relation to the Investment Incident In 2022, the then chief financial officer engaged a law firm to provide legal service in relation to the Investment Incident. However, prior to engaging the law firm, the then chief financial officer failed to consult the Legal and Compliance Department and did not involve the Legal and Compliance Department in the selection of the law firm, which is inconsistent with the Company's Contract Management Rules.	The Company should provide more training to different departments in order to enhance employees' risk awareness. When events which involve potential risks arise, the relevant departments should communicate with the Legal and Compliance Department in a timely manner.	The Company has sent employees emails reminding them of the procedures and rules governing the relevant approval and authorisation procedures.
14. Certain payments of funds were not approved in accordance with the Company's standard operating procedures Certain payments of fees were approved by the then chief financial officer, which is inconsistent with the Authorisation and Approval Rules of the Company which requires approval from the president and chief executive officer of the Company.	(i) All business departments should refer to the Authorisation and Approval Rules when applying for approval for payment of funds. (ii) The Finance Department should review the applications for approval for payment of funds and should not approve any application that does not comply with the Authorisation and Approval Rules.	The Company has an automated approval procedure for payment of funds, which is implemented through office automation system. Going forward, the Company will require all business departments and employees to strictly adhere to the Company's internal rules when carrying out the business operations. The Company will also require the Finance Department to review approval for payment applications strictly and prohibit payment of funds if the applications do not follow the Authorisation and Approval Rules.
15. Bank account is not used for its specified purpose Upon a review of the relevant bank account statements, it was noted that there were transfers of funds into the wrong Company bank account, which indicates a failure to maintain exclusive use of the relevant Company account.	The Company should strengthen the promotion and implementation of the Management of Raised Funds Rules, and strictly adhere to these rules. Funds that are not meant for a specific account should not be deposited into such account.	The Company confirmed that during the rectification period, there were no unrelated proceeds remitted into such account, nor was there any fund remittance out of the account. The Company has clarified rules governing the management of the account used for raised funds through emails.

Key findings	Rectification recommendations	Remedial actions and remedial status
16. Management of bank confirmation requests can be improved It was revealed that a bank confirmation request relating to the Investment Incident was not properly reviewed or approved. The Company was unable to produce documents evidencing the application for the use of seal for the relevant bank confirmation request. The Company was also unable to provide records showing that the Finance Department has verified the details on the bank confirmation request.	It is recommended that the Company strengthen the management of bank confirmation requests. When the Company issues or receives a bank confirmation request, the personnel in the Finance Department should confirm whether the balance amount is correct and state so when applying for the use of seal for the relevant bank confirmation request. They should follow the Seal Management Rules and keep the relevant records.	The Company notified and reminded the personnel in the Finance Department that when applying for the use of seals on bank confirmation requests, they should confirm the balance amount is correct after checking.
17. Signatory of contracts in the Investment Incident has not obtained authorisation in accordance with internal policies The Investment Management Agreement and some other documents relating to the Investment Incident were signed by the then chief financial officer, who was not the legal representative of the Company at the material time, for and on behalf of the Company. There is no record showing that proper authorisations had been obtained for the execution of these documents.	(i) It is recommended that the Company enhance the promotion and implementation of the rules governing the authorisation and signing of contracts, and should send such rules to the relevant personnel via email; and (ii) The Company should clarify in the Employee Handbook that if an employee causes loss to the Company because of negligence, the relevant employee will be personally responsible. At the same time, the Company should embed a culture of compliance and should require employees of different levels and the management to strictly adhere to the working procedures as stipulated in the Company's internal rules and regulations.	The Company has clarified the procedures and rules governing the approval, authorisation and dispute resolution of contracts for employees through emails. The Company's Employee Handbook contains guidelines on the code of conduct of employees. The Company also conducts relevant training for new employees when they first join the Company.
18. Certain signing procedures of contracts were not in accordance with internal management requirements It was found that certain contracts had not been subject to the review of the Legal and Compliance Department, nor were they approved in accordance with the Company's Contract Management Rules.	It is recommended that the Company strengthen the promotion and implementation of the contract management requirements in order to avoid inconsistencies between the actual practice and the relevant rules.	The Company has implemented the process for approval of contracts as stipulated in the Contract Management Rules. The Company has reminded employees of the procedures and rules governing the approval, authorisation and dispute resolution of contracts through emails.

Key findings	Rectification recommendations	Remedial actions and remedial status
19. Contracts in relation to the Investment Incident were not filed in accordance with internal procedures The contract signed by the Company with a law firm in relation to the Investment Incident was not filed in accordance with the Company's internal file management requirements, nor was the original copy of the document submitted in a timely manner to the Legal and Compliance Department, which was the responsible department for file management at the time.	It is recommended that all departments strictly adhere to the File Management Rules, promptly update the index of contracts and submit the index and scanned copies of contracts to the relevant department in a timely manner.	The Company's File Management Rules has specified how different documents should be classified and filed. The Company has made records of the status of its contracts.
20. Certain use of seal is not in accordance with the Company's internal procedures The Company's seal was affixed on certain documents. However, the Company could not provide records showing that there has been approval for the use of the Company's seal on those documents.	(i) In relation to the use of seals, the relevant departments should strictly adhere to the Company's Seal Management Rules and Authorisation and Approval Rules to obtain the relevant approval; (ii) The keeper of the Company's seal should verify strictly that the approval procedures is completed before the Company's seal may be used; and (iii) The Company should enhance promotion on its reporting mechanisms and encourage employees to report violations of Company regulations in a timely manner.	The approval of use of seal was the final step in the approval of contracts in the Company's office automation system.

The Company has completed the relevant rectifications of the internal control deficiencies and the above issues have been rectified. For details of the internal control review results, please refer to the announcements of the Company dated 10 November 2023 and 20 December 2023.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 94 to 98.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2023 amounted to RMB2,650,000 and RMB2,942,000 respectively.

An analysis of the remuneration paid to the external auditor of the Company, Ernst & Young, for the year ended 31 December 2023 is set out below:

Service Category	Fees Paid/Payable (RMB)
Audit Services	
—Annual audit service	2,650,000
Non-audit Services	
—Interim review service	1,250,000
—Quarterly review services	1,500,000
—Others	192,000
	5,592,000

JOINT COMPANY SECRETARIES

During the Reporting Period, Ms. Yan Wang, the secretary to the Board of the Company, has been serving as the joint company secretary. Ms. Mei Ha Wendy Kam of Tricor Services Limited, an external service provider, has been serving as the joint company secretary of the Company. The primary contact person of Ms. Mei Ha Wendy Kam is Ms. Yan Wang. For the year ended 31 December 2023, Ms. Wang and Ms. Kam undertook no less than 15 hours of the relevant professional training in compliance with Rule 3.29 of the Listing Rules.

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

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

Pursuant to Article 62 of the Articles of Association, if Shareholders request the convening of an extraordinary general meeting or class meeting of shareholders, the following procedures shall be carried out:

(i) The Shareholders holding, individually or in aggregate, more than 10% of the voting shares of the Company may sign one or more copies of written requests in the same form requesting the Board to convene an extraordinary general meeting or a class meeting of shareholders, and stating the matters to be considered at the meeting. The Board shall within ten days of receipt of the said written request give the written feedback opinion on approval or disapproval for convening an extraordinary general meeting or a class meeting of shareholders. If the Board approves convening an extraordinary general meeting or a class meeting of shareholders, it will within five days of adopting the resolution of the Board issue the notice of convening the meeting, and any changes in the original request in the notice shall be subject to the consent of relevant Shareholders. The aforesaid number of shares held shall be calculated on the date when the Shareholders make the written request.

(ii) If the Board fails to issue the notice of convening a meeting within thirty days of receipt of the written request, the requesting Shareholders may themselves convene such a meeting in a manner as similar as possible to the manner in which general meeting are convened by the Board within four months of receipt of the request by the Board.

Where the Shareholders convene and preside over a meeting by themselves as the Board fails to convene the meeting pursuant to the aforesaid request, the reasonable expenses incurred therefrom shall be borne by the Company and deducted from the amounts due from the Company to the defaulting Directors.

Putting Forward Proposals at General Meetings

Pursuant to Article 68 of the Articles of Association, Shareholders individually or in aggregate holding more than 3% of shares of the Company shall have the right to put forward proposals. The contents of the proposal shall fall within the terms of reference of the general meeting and have specified subjects and specific resolutions, in further compliance with the laws and regulations and the Company's Articles of Association.

In addition, Shareholders individually or in aggregate holding more than 3% of the Shares of the Company may propose and submit a temporary proposal to the convener in writing form ten days prior to date of the general meeting; the convener shall issue a supplementary notice of general meeting within two days after receipt of the said temporary proposal, to notify other Shareholders and to submit the said temporary proposal to the general meeting for consideration. The contents of the temporary proposal shall fall within the terms of reference of the general meeting and have specified subjects and specific resolutions.

The general meeting shall not vote and adopt a resolution on any proposal that is not listed in the notice of the general meeting or that is inconsistent with the Article 68.

Putting Forward Enquiries to The Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the Company by means of facsimile, email or post. The details of contact are as follows:

Shanghai Henlius Biotech, Inc. (For the attention of the Board)

Address: 11/F, B8 Building, No. 188 Yizhou Rd, Xuhui District, Shanghai, PRC, 200233
Fax: +86 021-34611802
Email: ir@henlius.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full names, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor's understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The chairman of the Board and the chairman of all Board committees (or their delegates) will attend the annual general meetings in person to meet Shareholders and answer their enquiries.

At the extraordinary general meeting of the Company held on 28 August 2023, the Shareholders approved the proposed amendments to the Articles of Association, details of which are set out in the announcement of the Company dated 17 July 2023 and the circular of the Company dated 11 August 2023. The latest version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

To promote effective communication, the Company maintains a website at http://www.henlius.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy aims to ensure that the Shareholders, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

Under the policy, information shall be communicated to Shareholders and the investment community mainly through the Company's financial reports, annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website. Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times, and the Board shall maintain an on-going dialogue with Shareholders and the investment community.

The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy during the Reporting Period and the results were satisfactory.

Profit Distribution Administration Policy

The Company has adopted a profit distribution administration policy on payment of dividends. Such details have been disclosed in the section headed "Profit Distribution Plan" on page 40 of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Mr. Wenjie Zhang, aged 57, has been the executive Director of the Company since November 2020, and has been the Chairman of the Board since November 2021.

Mr. Zhang joined the Group in March 2019 and has been the senior vice president and chief commercial operation officer and president of the Company. Mr. Zhang has been the chief executive officer of the Company from September 2020 to July 2023. Mr. Zhang holds directorships in certain subsidiaries of the Company. In addition, Mr. Zhang has been the executive president of Fosun Pharma since July 2023.

Mr. Zhang has nearly 30 years of commercial operation and management experience in the pharmaceutical industry. Prior to joining the Group, Mr. Zhang has previously served in various roles including the general manager (China) at Amgen, USA, the vice president of oncology business unit 2 of Shanghai Roche Pharmaceuticals, China, and the head of specialty therapeutics & oncology unit-Bayer Schering Pharma, Germany. Mr. Zhang obtained a bachelor's degree in microbiology from Shandong University (山東大學) in the PRC in July 1990 and a master's degree in business administration from Yale University in the United States in May 1998.

Mr. Jun Zhu (朱俊), aged 45, has been an executive Director of the Company since August 2023.

Mr. Zhu joined the Group in January 2021 and served as senior vice president and chief medical officer of the Company and its subsidiaries. Mr. Zhu served as the president of the Company from November 2021 to April 2023, and the president and chief financial officer of the Company from May 2023 to July 2023. Mr. Zhu served as the chief executive officer, president and chief financial officer of the Company from July 2023 to September 2023 and served as chief executive officer and chief financial officer of the Company since October 2023. Mr. Zhu serves as the Director and senior management in certain subsidiaries of the Company.

Mr. Zhu has approximately 25 years' experience in biotechnology and pharmaceutical industry. Before joining the Group, Mr. Zhu served as the internal medicine physician in Huashan Hospital affiliated to Fudan University in Shanghai, the project manager and global vice-president of IQVIA Holdings Inc., the general manager (Greater China) of Omnicare Clinical Research Inc., the founder and chief executive officer of Shanghai PPC Biopharmaceutical Technology Co., Ltd.* (上海百利佳生醫藥科技有限公司). Mr. Zhu obtained a bachelor's degree in clinical medicine from Fudan University (復旦大學) in the PRC in July 2001 and an EMBA degree from Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2018.

Mr. Qiyu Chen (陳啟宇), aged 51, has been a non-executive Director of the Company since February 2010 and served as the chairman of the Board from December 2018 to November 2021.

Mr. Chen joined Fosun Pharma Group in April 1994, and has served as a director of Fosun Pharma since May 2005, and served as the chairman of the board of Fosun Pharma from June 2010 to October 2020. Mr. Chen currently serves as the chairman of the board of Fosun High Tech, the executive director and the co-chief executive officer of Fosun International, the non-executive director of Gland Pharma, the non-executive director and vice chairman of the board of Sinopharm. Mr. Chen previously served as a director of Beijing Sanyuan Foods Co., Ltd.* (北京三元食品股份有限公司) (Shanghai Stock Exchange stock code: 600429) and a co-chairman of the board of New Frontier Health Corporation (delisted from the New York Stock Exchange in January 2022 and merged by Unicorn II Holdings Limited by way of merger by absorption). In addition, Mr. Chen holds directorships in various companies invested by Fosun International and its affiliated companies.

Mr. Chen has been the chairman of China Medical Pharmaceutical Material Association (中國醫藥物資協會), a vice president of China Pharmaceutical Innovation and Research Development Association (中國醫藥創新促進會), the honorary chairman and chief supervisor of Shanghai Biopharmaceutics Industry Association (上海市生物醫藥行業協會), and a member of the 13th Shanghai Standing Committee of the Chinese People's Political Consultative Conference. Mr. Chen was awarded "Asia's Best CEO" by Corporate Governance Asia, etc.. Mr. Chen obtained a bachelor's degree in genetics from Fudan University (復旦大學) in the PRC in July 1993 and a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in September 2005.

Mr. Yifang Wu (吳以芳), aged 54, has been a non-executive Director of the Company since June 2015.

Mr. Wu joined Fosun Pharma Group in April 2004, and successively served as the senior vice president, chief operating officer, the president, the chief executive officer of Fosun Pharma. Mr. Wu has been an executive director of Fosun Pharma since August 2016 and the chairman of the board of Fosun Pharma since October 2020. Mr. Wu currently serves as a non-executive director of Sisram Medical Ltd.* (復銳醫療科技有限公司) (Stock Exchange stock code: 01696). Mr. Wu previously served as the chairman of the board of supervisors of Sinopharm and a non-executive director of Gland Pharma. Moreover, Mr. Wu serves as the director in certain subsidiaries of Fosun Pharma.

Prior to joining Fosun Pharma Group, Mr. Wu worked at Xuzhou Biochemical Pharmaceutical Factory* (徐州生物化學製藥廠), Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant* (徐州(萬邦)生物化學製藥廠), Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd.* (徐州萬邦生化製藥有限公司) and Jiangsu Wanbang Biopharmaceutical Co., Ltd.* (江蘇萬邦生化醫藥股份有限公司) (which were predecessors of Jiangsu Wanbang). Mr. Wu graduated from Nanjing University of Science and Technology (南京理工大學) majoring in international commerce in the PRC in 1996 and obtained a master's degree in business administration from Saint Joseph's University in the United States in 2005.

Ms. Xiaohui Guan (關曉暉), aged 53, has been a non-executive Director of the Company since December 2018.

Ms. Guan joined Fosun Pharma Group in May 2000, and successively served as a vice president, chief accountant and general manager of finance department, the senior vice president and chief financial officer, the executive president and chief financial officer of Fosun Pharma. Ms. Guan has been an executive director of Fosun Pharma since December 2021, and the vice chairman of the board of Fosun Pharma since January 2022. Ms. Guan currently serves as the vice president of Fosun International, the chairman of the board of supervisors of Sinopharm and Ms. Guan was a non-executive director of Sinopharm and Gland Pharma. Moreover, Ms. Guan serves as the director in certain subsidiaries of Fosun Pharma.

Prior to joining Fosun Pharma Group, Ms. Guan worked at Jiangxi Branch of Industrial and Commercial Bank of China. Ms. Guan obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics (江西財經大學) in the PRC in June 2000 and acquired a master's degree in professional accountancy from Chinese University of Hong Kong in December 2007. Ms. Guan is qualified as a Chinese Certified Public Accountant and a member of the Association of Chartered Certified Accountants.

Mr. Deyong Wen (文德鏞), aged 52, has been a non-executive Director of the Company since July 2022.

Mr. Wen joined Fosun Pharma Group in May 2002 and successively served as vice president, senior vice president, co-president, president of Fosun Pharma and serves as the chief executive officer of Fosun Pharma since June 2022, and serves as an executive director of Fosun Pharma since August 2022. Mr. Wen currently serves as a non-executive director of Sinopharm, a director of China National Medicines Corporation Ltd.* (國藥集團藥業股份有限公司) (Shanghai Stock Exchange stock code: 600511), and the chairman of the board of supervisors of China National Accord Medicines Corporation Ltd.* (國藥集團一致藥業股份有限公司) (Shenzhen Stock Exchange stock code: 000028). Mr. Wen served as a director of C.Q. Pharmaceutical Holdings Co., Ltd.* (重藥控股股份有限公司) (Shenzhen Stock Exchange stock code: 000950) and a director of Anhui Sunhere Pharmaceutical Excipients Co., Ltd.* (安徽山河藥用輔料股份有限公司) (Shenzhen Stock Exchange stock code: 300452). Moreover, Mr. Wen serves as the director of certain subsidiaries of Fosun Pharma.

Prior to joining Fosun Pharma Group, Mr. Wen worked at Chongqing No. 6 Pharmaceutical Factory*(重慶製藥六廠) (the predecessor of Chongqing Yaoyou Pharmaceutical Co., Ltd.* (重慶藥友製藥有限責任公司)). Mr. Wen graduated from West China University of Medical Sciences (華西醫科大學) (currently known as West China School of Medicine of Sichuan University (四川大學華西醫學中心)) in the PRC in June 1995, and obtained a master's degree in business administration from Donghua University (東華大學) in the PRC in December 2007.

Dr. Xingli Wang, aged 61, has been a non-executive Director of the Company since August 2023.

Dr. Wang joined Fosun Pharma Group in January 2023. Dr. Wang has been the chief executive officer of the global R&D center of Fosun Pharma and co-chief executive officer of Innovative Medicine Business Division since January 2023. Prior to joining Fosun Pharma Group, Dr. Wang served as a senior lecturer in cardiovascular medicine at The University of New South Wales, Australia, and as director of cardiothoracic surgery research and tenured professor at Baylor College of Medicine, USA, medical director of Schering-Plough Corporation (a company formerly listed on the NYSE, stock code: SGP; merged into Merck & Co., Inc. in 2009). He also worked in Novartis AG (a company listed on the NYSE, stock code: NVS), mainly serving as project director, global project clinical director, director of Novartis global drug R&D (China) and general manager of Biomedical Research Institute (China). Dr. Wang obtained a bachelor's degree in medicine from Shandong Medical College (incorporated into Shandong University in 2000) in the PRC in July 1985 and a doctorate degree in cardiovascular internal medicine from The University of New South Wales in Australia in October 1991. Dr. Wang also holds a license to practice medicine in Australia.

Mr. Tak Young So (蘇德揚), aged 53, has been an independent non-executive Director of the Company since September 2019.

Mr. So has been the founding and managing partner of FastLane Group since July 2012. He served as an independent non-executive director of CARsgen Therapeutics Holdings Limited (Stock Exchange stock code: 02171) from June 2021 to June 2023 and an independent non-executive director of Goodbaby International Holdings Limited (Stock Exchange stock code: 01086) since May 2022.

Mr. So has more than 20 years of experience in finance, accounting, investment and private equity businesses with global financial institutions and asset management companies. Mr. So served as a partner of Prospere Capital Limited from January 2018 to May 2022, the chief financial officer of PAG Capital from November 2011 to April 2012, the chief financial officer of Asia Pacific of asset management division for Deutsche Bank, Hong Kong from August 2007 to November 2011, the chief financial officer of Hamon Investment Group, an affiliate of Bank of New York Mellon from February 2005 to August 2007, the head of finance and operations of consumer banking in Hong Kong, head of asset and liability management of Greater China/Asia Pacific and chief financial officer of consumer, commercial and private bank in Hong Kong of ABN AMRO Bank N.V., Hong Kong from March 2002 to January 2005, the vice president of global capital market/Asia treasury and vice president of financial controls of Bank of America, Hong Kong from January 1998 to March 2002, group audit and project manager of strategic and performance improvement group in the Sydney office of Commonwealth Bank of Australia from January 1995 to January 1998, and an auditor in Ernst & Young, Hong Kong from February 1993 to December 1994. Mr. So obtained a bachelor's degree in business in accounting and finance and a master's degree in business administration in banking from the University of Technology in Sydney, Australia in April 1994 and September 1998, respectively. He has been a fellow member of the Certified Practising Accountants Australia (CPA Australia) since August 2011.

Dr. Lik Yuen Chan (陳力元), aged 55, has been an independent non-executive Director of the Company since September 2019.

Dr. Chan is a world famous academic in liver diseases with extensive achievement and recognition in clinical practice and research teaching. Dr. Chan joined Union Hospital of Hong Kong in November 2020 and served as the vice president and manager of Internal Medicine Department. Dr. Chan served various positions in the Chinese University of Hong Kong from 2002 to 2021, including a director of the Centre of Liver Health, associate dean of external affairs of the Faculty of Medicine and a professor of the Internal Medicine Department and the Department of Medicine and Therapeutics.

He has been a member of Royal College of Physicians of the United Kingdom since November 1995, a fellow of Hong Kong College of Physicians since May 2000, a fellow of Hong Kong Academy of Medicine since June 2000, a fellow of Royal College of Physicians of Edinburgh since July 2003, a fellow of Royal College of Physicians of London since May 2006 and a fellow of the American Association for the Study Liver Diseases since October 2016. Dr. Chan obtained a bachelor's degree in medicine and surgery from the Chinese University of Hong Kong in December 1992, a doctor's degree in medicine from the Chinese University of Hong Kong in November 2001 and a master's degree in business administration from the University of Hong Kong in November 2014.

Dr. Guoping Zhao (趙國屏), aged 75, has been an independent non-executive Director of the Company since September 2019.

Dr. Zhao is a molecular microbiologist. Currently, he serves as the chairman of the Advisory Committee of Key Laboratory of Synthetic Biology of the Center for Excellence in Molecular Plant Science of the Chinese Academy of Sciences (CAS) (中國科學院分子植物科學卓越創新中心合成生物學重點實驗室), the director of Department of Microbiology and Immunology at the School of Life Sciences of Fudan University (復旦大學生命科學學院微生物學與免疫學系) and the chief scientist of Biomedical Big Data Center at the Shanghai Institute of Nutrition and Health of CAS (中國科學院上海營養與健康研究所生物醫學大數據中心). Dr. Zhao was elected as a member of the Chinese Academy of Sciences (中國科學院院士) in 2005, a fellow of the World Academy of Sciences for the advancement of science in developing countries (發展中國家科學院院士) in 2011 and a member of the American Academy of Microbiology in February 2022.

Dr. Zhao served various positions related to life science research at the CAS, such as the vice president of Shanghai Institutes for Biological Sciences (SIBC), CAS from July 1999 to December 2001, the director of Shanghai Research Center of Biotechnology, Chinese Academy of Sciences (中國科學院上海生物工程研究中心) from December 1996 to July 1999, and the researcher, assistant to director and successively as the deputy director of the Microorganism Secondary Metabolism Regulation Laboratory of IPPE, SIBS, CAS (中國科學院上海生命科學研究院植物生理生態研究所次生代謝分子調控研究開放實驗室) from December 1994 to September 1997. Dr. Zhao obtained a bachelor of science degree in micro-biology from Fudan University (復旦大學) in Shanghai in the PRC in July 1982 and a Ph.D degree in biochemistry from the Purdue University in the United States in December 1990.

Dr. Ruilin Song (宋瑞霖), aged 61, has been an independent non-executive Director of the Company since September 2019.

Dr. Song has been a non-executive director of Luye Pharma Group Ltd.* (綠葉製藥集團有限公司) (Stock Exchange stock code: 02186) since March 2017, an independent director of Shenzhen Chipscreen Biosciences Co., Ltd.* (深圳微芯生物有限公司) (SSE STAR Market stock code: 688321) since May 2018, an independent non-executive director of Simcere Pharmaceutical Group Limited* (先聲藥業集團有限公司) (Stock Exchange stock code: 02096) since November 2019, an independent non-executive director of Jacobio Pharmaceuticals Group Co., Ltd.* (加科思藥業集團有限公司) (Stock Exchange stock code: 01167) since December 2020, and an independent non-executive director of Mediwelcome Healthcare Management & Technology Inc.* (麥迪衛康健康醫療管理科技股份有限公司) (Stock Exchange stock code: 02159) since December 2020. Dr. Song served as an independent director of Jiangxi Boya Bio-pharmaceutical Co., Ltd.* (江西博雅生物製藥股份有限公司) (Shenzhen Stock Exchange stock code: 300294) from March 2017 to March 2021, an independent director of Shanxi Zhendong Pharmaceutical Co., Ltd.* (山西振東製藥股份有限公司) (Shenzhen Stock Exchange stock code: 300158) from June 2015 to June 2021, and an independent director of Tibet Aim Pharm. Inc.* (西藏易明西雅醫藥科技股份有限公司) (Shenzhen Stock Exchange stock code: 002826) from August 2015 to August 2021.

During the time he worked in the Legislative Affairs Office of the State Council, Dr. Song was mainly engaged in the legislative review of Chinese medicine and health laws for 22 years. He participated in all China's health and drug legislation activities from 1987 to 2006, in charge of the drafting and review of laws such as Drug Administration Law of the PRC, Law of the PRC on the Prevention and Treatment of Communicable Diseases and Law of the PRC on Medical Practitioners, and administrative regulations such as Regulations on Medical Institutions, Administration of Medical Devices and Emergency Regulations on Public Health Emergencies, etc.

Since 2007, Dr. Song has been dedicated to the research of China's pharmaceutical policies, especially the policies for pharmaceutical innovation. Under his leadership, Research Center for Medicinal Policy of Chinese Pharmaceutical Association and PhIRDA (中國醫藥創新促進會) have finalised dozens of research projects. Dr. Song has been the executive president of PhIRDA (formerly known as China Pharmaceutical Industry Research and Development Association (中國醫藥工業科研開發促進會)) from November 2009 to September 2019, the president of PhIRDA from September 2019 to September 2020, and executive president of PhIRDA since September 2020. Dr. Song also served as specially-invited expert of Talent Pool Participating in and Discussing State Affairs of the CPPCC, consultant expert of Participating in and Discussing State Affairs of the Chinese Peasants and Workers Democratic Party, executive deputy director of National Drug Policy and Industrial Development Research Center of China Pharmaceutical University, visiting researcher of Shanghai Jiao Tong University, member of Advisory Committee for Traditional Chinese Medicine Strategic Decision of National Medical Products Administration, vice chairman of China Alliance of Rare Diseases (CARD), director of Chinese Pharmacist Association and a member of the Biotech Advisory Panel of the Stock Exchange among other important social positions. Dr. Song obtained a bachelor of laws degree from China University of Political Science and Law (中國政法大學) in June 1985, a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in November 2004 and a doctoral degree in social and administrative pharmacy from China Pharmaceutical University (中國藥科大學) in December 2018.

BOARD OF SUPERVISORS

Ms. Rongli Feng (馮蓉麗), aged 48, has been a shareholder representative supervisor of the Company and the chairman of the Board of Supervisors since May 2020.

Ms. Feng served as the vice president of Fosun Pharma from April 2020 to March 2021, she has been the senior vice president of Fosun Pharma from March 2021 to January 2024, and she has been the executive president of Fosun Pharma since January 2024. Ms. Feng currently serves as a non-executive director of Sinopharm and a non-executive director of Sisram Medical Ltd.* (復銳醫療科技有限公司) (Stock Exchange stock code: 01696). Moreover, Ms. Feng serves as the director and supervisor in certain subsidiaries of Fosun Pharma. Before joining Fosun Pharma Group, Ms. Feng served as a human resources supervisor of Sealed Air Packaging (Shanghai) Co., Ltd.* (希悦爾包裝(上海)有限公司), a human resources manager of Grundfos Pumps (Shanghai) Co., Ltd.* (格蘭富水泵(上海)有限公司), the Asia-Pacific human resources manager of Emerson Electric (China) Investment Co., Ltd.* (艾默生電氣(中國)投資有限公司), the China human resources planning manager of Dow Chemical (China) Co., Ltd.* (陶氏化學(中國)有限公司), the director of human resources of Shanghai Roche Pharmaceutical Co., Ltd.* (上海羅氏製藥有限公司), the senior director of human resources at F. Hoffmann-LaRoche AG, the deputy chief human resources officer of Fosun High Tech and the managing director of the human resources department of Shanghai Fosun Venture Capital Investment Management Co., Ltd.* (上海復星創業投資管理有限公司), etc. Ms. Feng graduated from Shanghai University (上海大學) in the PRC with a major in microcomputer application in July 1996. In February 2002, she obtained a master's degree in business administration from Columbia Southern University in the United States through distance learning.

Mr. Deli Kong (孔德力), aged 49, has been a shareholder representative supervisor of the Company since August 2016.

Mr. Kong worked at Fosun Pharma from June 2005 to December 2012, with his last position as a patent affairs senior officer. Mr. Kong has been working with Fosun Pharma Industrial Development since January 2013 and successively served as the senior researcher, deputy director, assistant to head of research institute, minister of policy and information research centre and deputy head of the research institute, minister of policy and information research centre, assistant to the president and general manager of patent affairs department and the executive vice president of the global R&D centre. Prior to joining Fosun Pharma Group, Mr. Kong also previously served as an assistant researcher at the Shanghai Institute of Biochemistry and Cell Biology of the Chinese Academy of Sciences* (中國科學院上海生物化學與細胞生物研究所). Mr. Kong obtained a master's degree in biochemical engineering from the School of Engineering of East China University of Science and Technology (華東理工大學) in the PRC in July 1999.

Mr. Yexing Yuan (袁曄星), aged 40, has been an auditing director of the Company since January 2023, and a supervisor of the Company and a supervisor of certain subsidiaries of the Company, since January 2023.

Before joining the Group, Mr. Yuan served as an auditor in WelcoHuaGao Technology (Suzhou) Co., Ltd.* (華高科技(蘇州)有限公司), an auditing manager in Minth Group Limited (Stock Exchange stock code: 00425), an auditing manager in Trina Solar Co., Ltd. (Shanghai Stock Exchange stock code: 688599), a senior auditing manager in Cobest Enterprise Development (Shanghai) Co., Ltd., a senior auditing manager in GCL System Integration Technology Co., Ltd. (Shenzhen Stock Exchange stock code: 002506) and an auditing director in Fosun Pharma. Mr. Yuan obtained a bachelor's degree in accounting from Nanjing University of Information Science & Technology (南京信息工程大學) in the PRC in June 2005.

MEMBERS OF SENIOR MANAGEMENT OF THE GROUP

The chief executive officer and chief financial officer, and other members of the senior management of the Group are responsible for the day-to-day management of the business of the Company. Certain information relating to the chief executive officer and chief financial officer is set out in "– Board of Directors" above.

Ms. Wei Huang, aged 56, served as the senior vice president of Henlius Biopharmaceuticals from December 2019 to October 2020, the senior vice president and chief operating officer of the Company from October 2020 to September 2023 and the president since October 2023. Ms. Huang serves as the director or a member of the senior management in certain subsidiaries of the Company.

Ms. Huang has 30 years of senior management and leadership experience in the pharmaceutical and biotechnology industries, including process development, technology transfer, manufacturing, process and facility design, capital project execution and quality system implementation. Prior to joining the Group, Ms. Huang served as a research assistant of Center of Marine Biotechnology, a process development engineer of Baxter (AMVAX) Inc., a project manager of New Brunswick Scientific Inc., a process engineer and the director of process engineer of Fluor Corp., the senior/chief process engineering of Bechtel Corp., the vice president of process development and engineering of REG Life Science Inc., and the chief consultant of Newa Technology Inc. Ms. Huang obtained a bachelor's degree in Biochemical Engineering from the East China Institute of Chemical Technology (華東化工學院) in the PRC in July 1990 and a master's degree in Chemical and Biochemical Engineering from the University of Maryland in the United States in August 1993.

Mr. Xinjun Guo (郭新軍), aged 53, served as the vice president and secretary to the Board of the Company from February 2010 to March 2019, the senior vice president and secretary to the Board of the Company from March 2019 to November 2021, and the senior vice president of the Company since November 2021. Mr. Guo serves as the director or a member of the senior management in certain subsidiaries of the Company.

Prior to joining the Group, Mr. Guo previously served as a researcher, project manager, research manager and chief engineer of Hangzhou Jiuyuan Gene Engineering Co., Ltd.* (杭州九源基因工程有限公司), the director and deputy general manager of Hangzhou Taishi Biotechnology Co., Ltd.* (杭州泰士生物科技有限公司), the secretary to the board of directors and deputy general manager of Zhejiang Cifu Pharmaceutical Co., Ltd.* (浙江賜富醫藥有限公司), and the chief engineer of Shanghai Clone High Technology Co., Ltd.* (上海克隆高技術有限公司) (now known as Shanghai Kaimao Bio-Pharmaceutical Co., Ltd.* (上海凱茂生物醫藥有限公司)). Mr. Guo has many years of experience in biopharmaceutical R&D and industrialization, and is familiar with different domestic laws and regulations. He was involved in the development of the recombinant human granulocyte colony-stimulating factor (rhG-CSF) injection, the first listed Category II new drug in China. He was awarded Outstanding Technology Development Talent of Hangzhou, Second Prize for Zhejiang Province's Science and Technology Progress Award, First Prize for Hangzhou's Science and Technology Progress Award and Shanghai May 1st Labour Medal. Mr. Guo is the vice-chairman of Shanghai Biopharmaceutics Industry Association and the vice director of the Monoclonal Antibody Drug Professional Committee. Mr. Guo received his bachelor's degree from the Genetics and Genetic Engineering Department of Fudan University (復旦大學) in the PRC in July 1993, and a master's degree in business administration from Zhejiang University (浙江大學) in the PRC in March 2005.

Mr. Cheng Yu (余誠), aged 47, served as the general manager of the marketing department of the Company from August 2019 to February 2020, the vice president of Henlius Biopharmaceuticals from February 2020 to November 2021, and the vice president and chief commercial officer of the Company from November 2021 to August 2023. He has been the senior vice president and chief commercial officer of the Company since September 2023.

Mr. Yu has extensive experience in product structure, product strategy development and launching of new products. Prior to joining the Company, Mr. Yu previously served as the sales representative of Glaxo Wellcome Pharmaceutical Co., Ltd.* (葛蘭素威康製藥有限公司), and served as senior pharmaceutical representative, district sales manager, regional sales manager, product manager, marketing manager and marketing director of Shanghai Roche Pharmaceutical Co., Ltd.* (上海羅氏製藥有限公司), and the head of the marketing department of Amgen Inc. Mr. Yu obtained a bachelor's degree in medicinal chemistry from Shanghai Medical College of Fudan University (復旦大學上海醫學院) (formerly known as Shanghai Medical University) in the PRC in July 1999 and an EMBA degree from Fudan University (復旦大學) in the PRC in June 2016.

Ms. Ping Cao, aged 52, served as the vice president of Henlius USA Inc., a wholly-owned subsidiary of the Company, from July 2018 to October 2020, the vice president and chief business development officer of the Company from October 2020 to August 2023, and the senior vice president and chief business development officer of the Company since September 2023.

Prior to joining the Group, Ms. Cao served as the Associate Director of Contract Manufacturing Operation (CMO) and Global Manufacturing and Supply (GMS) at Bristol-Myers Squibb Company, and the head of Technology Platform Trading project of Business Development Department, and the senior director of Business Development Department of Abzena PLC. Ms. Cao also serves as a member of the Advisory Council of Meneldor B.V. since February 2021. Ms. Cao obtained a bachelor's degree in materials science and technology from Tianjin University (天津大學) in the PRC in July 1994, a master's degree in chemical engineering from Tianjin University (天津大學) in the PRC in March 1999, and a master's degree in organic chemistry from Michigan State University in the United States in April 2004. Ms. Cao completed the Advanced Management Program at The Wharton School of the University of Pennsylvania in the United States in June 2022.

Ms. Junhua Li (李君華), aged 48, has been the vice president and chief human resources officer (CHO) of the Company since April 2022. Prior to joining the Group, Ms. Li served as the senior director of human resources of AstraZeneca Investment (China) Co., Ltd.* (阿斯利康(中國)投資有限公司), and the vice president of human resources of Chia-Tai Tianqing Pharmaceutical Group Co., Ltd.* (正大天晴藥業集團股份有限公司). Ms. Li obtained a bachelor's degree in economics from Shandong University of Finance and Economics (山東財政學院) in the PRC, majoring in international finance in July 1998, and a master's degree in business administration from Webster University in the United States in December 2002.

Ms. Yan Wang (王燕), aged 36, was appointed as the secretary to the Board and joint company secretary of the Company since November 2021. Ms. Wang has acted as science & technology administrative commissioner, supervisor of the marketing department, securities affairs representative and manager of public affairs department, director of the office of board secretary and executive director of public relationship of the Company from July 2013. She currently has been a joint company secretary and deputy general manager of public relationship of the Company.

Ms. Wang obtained a bachelor's degree in bio-pharmacy from Nanjing Forestry University (南京林業大學) in the PRC in June 2010 and a master's degree in biochemistry in July 2013 from Nanjing Forestry University (南京林業大學) in the PRC.

JOINT COMPANY SECRETARIES

Ms. Yan Wang (王燕) was appointed as a joint company secretary of the Company on 5 November 2021. See "Senior Management of the Group" above for further details.

Ms. Kam Mei Ha Wendy (甘美霞), age 56, was appointed as a joint company secretary of the Company on 18 August 2022. Ms. Kam is an executive director of Corporate Services Department of Tricor Services Limited, having over 25 years of experience in the corporate secretarial field and is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute (formerly "The Hong Kong Institute of Chartered Secretaries") and The Chartered Governance Institute (formerly "The Institute of Chartered Secretaries and Administrators") in the United Kingdom. She graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a professional diploma in company secretaryship and administration in November 1990.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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Quarry Bay, Hong Kong

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To the shareholders of Shanghai Henlius Biotech, Inc.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Henlius Biotech, Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 99 to 178, 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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 MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development expenditure During the year ended 31 December 2023, the expenditure incurred on projects to develop new biopharmaceutical products of RMB509,434,000 was capitalised in intangible assets – deferred development costs in the consolidated financial statements. The expenditure on development activities was capitalised and deferred when all the criteria mentioned in note 2.4 *Material Accounting Policies* were satisfied. This matter was significant to our audit because significant management estimation and judgements were required in determining whether the development expenditure met the capitalisation criteria.	Our audit procedures included, among others, assessing whether the capitalisation policy adopted was in line with IFRSs, obtaining an understanding of the Group's internal approval procedures regarding the capitalisation of an development expenditure by conducting interview with key management in charge of research, development and industrialisation of various projects, and obtaining certifications related to different stages of development activities and commercial and technical feasibility reports prepared by management.
The disclosures about the capitalisation of development expenditure are included in note 2.4 *Material Accounting Policies*, note 3 *Significant Accounting Judgements and Estimates* and note 15 *Intangible Assets* to the consolidated financial statements.	We also focused on the adequacy of the disclosures in the consolidated financial statements.
Impairment of intangible assets The carrying values of indefinite-life intangible assets (non-patent technologies) and deferred development costs in the consolidated financial statements amounted to RMB48,921,000 and RMB1,250,144,000, respectively, as at 31 December 2023. In accordance with IFRSs, the Group is required to perform impairment testing for indefinite-life intangible assets and deferred development costs at least on an annual basis. The impairment testing is based on the recoverable amount of each individual asset. This matter was significant to our audit because the impairment testing process was complex and involved significant management judgements and estimates.	Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by management, in particular, discount rates, royalty rate, contributory asset charges and growth rate beyond budget period used in the valuation method based on cash flow forecast of each individual asset. We paid attention to the forecasts with respect to future revenues, operating results and development costs to be incurred to complete the development process by comparing the forecasts with the business development plan of each individual asset.
The disclosures about the impairment of indefinite-life and deferred development assets are included in note 2.4 *Material Accounting Policies*, note 3 *Significant Accounting Judgements and Estimates* and note 15 *Intangible Assets* to the consolidated financial statements.	We also focused on the adequacy of the disclosures in the consolidated financial statements.

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of exclusive license contracts The Group entered into several exclusive license contracts (the "Contracts") for the development and commercialisation of candidate drugs. The consideration of the Contracts included upfront fee, milestone payments based on completion of certain milestone events and royalties based on future sales. For the year ended 31 December 2023, the Group recognised revenue of license and research and development services from the Contracts amounting to RMB138,953,000 and RMB698,906,000, respectively. As part of the accounting for revenue recognition under the Contracts, significant management's judgements and estimations are involved to identify the performance obligations, determine whether each performance obligation is satisfied overtime or at a point in time, estimate the variable considerations and allocate the consideration based on the stand-alone selling price of each performance obligation. The Group's disclosures about revenue recognition under the Contracts are included in note 2.4 *Material Accounting Policies*, note 3 *Significant Accounting Judgements and Estimates* and note 5 *Revenue* to the consolidated financial statements.	Our audit procedures included, among others, evaluating management's accounting policies and assessing management's processes and controls relating to revenue recognition under the Contracts. We inspected the Contracts, discussed with management about the nature, business rationale and the progress of the Contracts. We evaluated management judgements in identifying performance obligations by assessing whether the license and research and development services within the Contracts were distinct, and in determining whether each performance obligation was satisfied overtime or at a point in time by examining the related terms in the Contracts and the related supporting evidence. We checked the conditions and the current status of the payments made by the customers and the achievement of the milestone events to assess management's judgement and estimation in the variable considerations and the satisfaction of each performance obligations. We involved internal specialists to assist us in the assessment of the methodologies and the assumptions used by management, in particular, the discount rates, royalty rates and the cost mark-up rate, in determination of the stand-alone selling price of each performance obligation. We performed recalculation to check the mathematical accuracy based on management's model to determine the revenue recognised for each performance obligation. We also focused on the adequacy of the disclosures in the consolidated financial statements.

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 IFRSs issued by the IASB 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.

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

- 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 Lawrence K. W. Lau.

Ernst & Young
Certified Public Accountants
Hong Kong
21 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**5,394,909**	3,214,730
Cost of sales		**(1,476,112)**	(844,621)
Gross profit		**3,918,797**	2,370,109
Other income and gains	6	**68,914**	105,552
Selling and distribution expenses		**(1,754,241)**	(1,049,292)
Administrative expenses		**(383,840)**	(354,038)
Impairment losses on financial assets, net		**(30,280)**	(200,791)
Research and development expenses		**(1,118,732)**	(1,394,514)
Other expenses		**(20,501)**	(65,241)
Finance costs	8	**(110,539)**	(105,672)
PROFIT/(LOSS) BEFORE TAX	7	**569,578**	(693,887)
Income tax expense	11	**(23,559)**	(1,372)
PROFIT/(LOSS) FOR THE YEAR		**546,019**	(695,259)
Attributable to:			
Owners of the parent		**546,019**	(695,259)
Non-controlling interests		**–**	–
		546,019	(695,259)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit/(loss) for the year (RMB)	13	**1.01**	(1.28)
Diluted			
– For profit/(loss) for the year (RMB)	13	**1.00**	(1.28)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
PROFIT/(LOSS) FOR THE YEAR	**546,019**	(695,259)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**17**	(3,997)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**17**	(3,997)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**546,036**	(699,256)
Attributable to:		
Owners of the parent	**546,036**	(699,256)
Non-controlling interests	**–**	–
	546,036	(699,256)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,237,768**	1,817,449
Intangible assets	15	**4,510,729**	4,332,283
Right-of-use assets	16	**414,886**	412,422
Other non-current assets	17	**64,156**	170,612
Total non-current assets		**7,227,539**	6,732,766
CURRENT ASSETS			
Inventories	18	**757,359**	757,312
Trade receivables	19	**647,828**	455,509
Prepayments, deposits and other receivables	20	**200,761**	298,243
Contract assets	21	**82,419**	–
Cash and bank balances	22	**987,665**	680,478
Total current assets		**2,676,032**	2,191,542
CURRENT LIABILITIES			
Trade payables	23	**544,815**	713,552
Other payables and accruals	24	**1,255,363**	1,443,451
Contract liabilities	25	**466,878**	322,420
Interest-bearing bank and other borrowings	26	**2,800,377**	2,522,155
Total current liabilities		**5,067,433**	5,001,578
NET CURRENT LIABILITIES		**(2,391,401)**	(2,810,036)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,836,138**	3,922,730
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**1,292,674**	1,154,940
Other long-term payables	27	**172,071**	292,370
Contract liabilities	25	**949,044**	645,594
Deferred income	29	**230,048**	193,494
Total non-current liabilities		**2,643,837**	2,286,398
Net assets		**2,192,301**	1,636,332
EQUITY			
Share capital	30	**543,495**	543,495
Reserves	31	**1,648,806**	1,092,837
Equity attributable to owners of the parent and total equity		**2,192,301**	1,636,332

Wenjie Zhang
Chairman of the Board of Directors
Executive Director

Jun Zhu
Chief Executive Officer and Chief Financial Officer
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent					
	Share capital RMB'000	Share premium* RMB'000	Other reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000	Total RMB'000
At 1 January 2022	543,495	6,009,592	(478,080)	(3,021)	(3,775,230)	2,296,756
Loss for the year	–	–	–	–	(695,259)	(695,259)
Other comprehensive income for the year:						
Exchange differences related to foreign operations	–	–	–	(3,997)	–	(3,997)
Total comprehensive loss for the year	–	–	–	(3,997)	(695,259)	(699,256)
Vesting of restricted shares (note 32)	–	42,165	(16,554)	–	–	25,611
Equity-settled share-based payments (note 32)	–	–	13,221	–	–	13,221
At 31 December 2022	543,495	6,051,757	(481,413)	(7,018)	(4,470,489)	1,636,332

	Attributable to owners of the parent					
	Share capital RMB'000	**Share premium* RMB'000**	**Other reserve* RMB'000**	**Exchange fluctuation reserve* RMB'000**	**Accumulated losses* RMB'000**	**Total RMB'000**
At 1 January 2023	**543,495**	**6,051,757**	**(481,413)**	**(7,018)**	**(4,470,489)**	**1,636,332**
Profit for the year	**–**	**–**	**–**	**–**	**546,019**	**546,019**
Other comprehensive income for the year:						
Exchange differences related to foreign operations	**–**	**–**	**–**	**17**	**–**	**17**
Total comprehensive income for the year	**–**	**–**	**–**	**17**	**546,019**	**546,036**
Vesting of restricted shares (note 32)	**–**	**17,627**	**(10,321)**	**–**	**–**	**7,306**
Equity-settled share-based payments (note 32)	**–**	**–**	**2,627**	**–**	**–**	**2,627**
At 31 December 2023	**543,495**	**6,069,384**	**(489,107)**	**(7,001)**	**(3,924,470)**	**2,192,301**

* These reserve accounts comprise the consolidated other reserves of RMB1,648,806,000 (2022: RMB1,092,837,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**569,578**	(693,887)
Adjustments for:			
Finance costs	8	**110,539**	105,672
Depreciation of property, plant and equipment	7	**135,768**	113,828
Depreciation of right-of-use assets	7	**73,693**	64,520
Amortisation of intangible assets	7	**149,772**	99,255
Amortisation of deferred income	29	**(5,999)**	(12,387)
Foreign exchange loss/(gain), net	7	**1,421**	(32,919)
Impairment of trade receivables	7	**9,031**	1,638
Impairment of other receivables	7	**21,249**	199,153
Write-down of inventories to net realizable value	7	**22,817**	24,669
(Gain) /loss on disposal of items of property, plant and equipment	7	**(267)**	248
Gain on disposal of items of right-of-use assets	7	**(455)**	–
Share-based payment expense	7	**2,587**	12,517
Cash inflows/(outflows) before working capital changes		**1,089,734**	(117,693)
Increase in inventories		**(22,336)**	(340,640)
Increase in trade receivables		**(201,350)**	(161,406)
Decrease in prepayments, other receivables and other assets		**2,126**	132,231
Increase in contract assets		**(82,419)**	–
Increase in pledged deposits		**–**	(5,260)
(Decrease)/increase in trade payables		**(108,340)**	312,564
(Decrease)/increase in other payables and accruals		**(103,904)**	936,057
Increase in contract liabilities		**452,564**	176,999
Increase in deferred income		**42,553**	50,140
Cash from operations		**1,068,628**	982,992
Tax paid		**(20,707)**	(1,372)
Net cash flows from operating activities		**1,047,921**	981,620
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(473,674)**	(584,968)
Additions to intangible assets		**(537,770)**	(780,324)
Increase in time deposits with original maturity of more than three months		**(120,000)**	–
Cash repaid from a third party		**134,984**	–
Prepayment for the proposed acquisition of a subsidiary		**(15,000)**	–
Decrease in pledged deposits		**7,000**	–
Proceeds from disposal of items of property, plant and equipment		**23**	6,561
Net cash flows used in investing activities		**(1,004,437)**	(1,358,731)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**2,511,759**	2,859,028
Repayment of bank and other borrowings		**(2,147,093)**	(1,785,465)
Principal portion of lease payments	16(b)	**(90,330)**	(100,795)
Interest paid		**(129,905)**	(114,752)
Net cash flows from financing activities		**144,431**	858,016
NET INCREASE IN CASH AND CASH EQUIVALENTS		**187,915**	480,905
Cash and cash equivalents at beginning of year		**673,476**	154,982
Effect of foreign exchange rate changes, net		**6,272**	37,589
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**867,663**	673,476
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**987,665**	680,478
Less: Pledged deposits	22	**2**	7,002
Time deposits with original maturity of more than three months		**120,000**	–
Cash and cash equivalents as stated in the statement of cash flows	22	**867,663**	673,476

1. CORPORATE AND GROUP INFORMATION

Shanghai Henlius Biotech, Inc. (the "Company") is a joint stock company with limited liability established in the People's Republic of China ("PRC"). The registered office of the Company is located at Room 330, Complex Building, No.222 Kangnan Road, China (Shanghai) Pilot Free Trade Zone, the PRC.

The Company and its subsidiaries are involved in the following principal activities:

- biopharmaceutical research and development ("biopharmaceutical R&D")
- biopharmaceutical service
- biopharmaceutical production and sales

In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is Fosun International Holdings Limited which is a company registered in Hong Kong, and the ultimate controlling shareholder of the Company is Mr. Guo Guangchang.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 25 September 2019.

INFORMATION ABOUT SUBSIDIARIES

The particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation, place of operations, and kind of legal entity	Issued ordinary/ registered share capital	Percentage of ownership interest Direct	Indirect	Principal activities
Shanghai Henlius Biopharmaceutical Co., Ltd. (上海復宏漢霖生物製藥有限公司)*	Shanghai, PRC/Chinese Mainland 26 June 2014, limited liability company	Registered share capital of Renminbi ("RMB") 740,000,000	100%	–	Biopharmaceutical production; biopharmaceutical service; and biopharmaceutical R&D
Henlius USA Inc. ("Henlius USA")	CA, United States of America 18 August 2015, limited company	Registered share capital of United States dollar ("USD") 71,500,000/88,905,000	100%	–	Biopharmaceutical R&D and biopharmaceutical service
Shanghai Henlius Biologics Co., Ltd. (上海復宏漢霖生物醫藥有限公司)*	Shanghai, PRC/Chinese Mainland 26 December 2017, limited liability company	Registered share capital of Renminbi ("RMB") 571,500,000/1,000,000,000	100%	–	Biopharmaceutical production

* The English names of these subsidiaries represent the best efforts made by management of the Company to translate the Chinese names as they do not have official English names registered in the PRC.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand except when otherwise indicated.

The Group had net current liabilities of RMB2,391,401,000 as at 31 December 2023. Having taken into account the unused banking facilities and the expected cash flows from operating, financing and investing activities, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

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 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 related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; 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 ACCOUNTING POLICIES *(CONTINUED)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) Amendments to IAS 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 IFRS 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 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 to IAS 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 IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 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 28 to the financial statements. However, they did not have any 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 IAS 12.

2 ACCOUNTING POLICIES *(CONTINUED)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

(d) Amendments to IAS 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 major entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted, the amendments did not have any significant impact to the Group. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

2 ACCOUNTING POLICIES *(CONTINUED)*

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

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

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 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 IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IFRS 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 January 1, 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., January 1, 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 to 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 earlier 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 IAS 7 and IFRS 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.

Amendments to IAS 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 ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments 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 and 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 and is unobservable

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 and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's 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.

2 ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

IMPAIRMENT OF NON-FINANCIAL ASSETS *(CONTINUED)*

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 unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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 ACCOUNTING POLICIES *(CONTINUED)*

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 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 to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%
Plant and machinery	9.5% to 19%
Motor vehicles	19%
Office and other equipment	9.5% to 19%
Electronic equipment	9.5% to 19%
Leasehold improvements	10% to 20%

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. Residual values, 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 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.

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 with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2 ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

INTANGIBLE ASSETS (OTHER THAN GOODWILL) *(CONTINUED)*

NON-PATENT TECHNOLOGIES

Non-patent technologies have been classified as assets with an indefinite useful life. They have indefinite life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows, the extension cost is low and assets can be used indefinitely. They are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of such intangible assets are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

MEDICINE LICENCES

Medicine licences with finite useful lives are measured initially at cost, which transfer from the deferred development costs after such medicine getting the medicine licences from the related authorities. Medicine licenses are amortised on the expected pattern of consumption of the future economic benefits, the expected pattern of consumption of the future economic benefits embodied in the medicine licences are assessed by the Group after considering the similar medicine and the market condition.

OFFICE SOFTWARE

Purchased office software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 5 to 10 years. The useful lives of the software are assessed by the Group after considering the contractual term, the current functionality equipped by the software, using plan and operation needs of the software. The software served as basement IT system or technological platform is amortised over a long period as 10 years. Other software served as fast updating applications and single application software is amortised over a shorter period, such as 5 years.

RESEARCH AND DEVELOPMENT COSTS

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

The expenditure on an internal research and development project is classified into expenditure in the research phase and expenditure in the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure in the development phase 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.

The specific criteria for the classification of expenditures on the research phase and expenditures on the development phase are as follows:

As for biosimilar products, expenditures on the research phase are all the expenditures incurred before the commencement of Phase I clinical trial for the medicines. Expenditures on the development phase are all the expenditures incurred after the commencement of Phase I clinical trial for the medicines. Commencement of Phase I clinical trial is determined based on the approval by authorities.

As for bio-innovative products, expenditures on the research phase are all the expenditures incurred before the commencement of Phase III clinical trial for the medicines. Expenditures on the development phase are all the expenditures incurred after the commencement of Phase III clinical trial for the medicines.

Deferred development costs are stated at cost less any impairment losses and will be transferred to medicine licences when the products are put into commercial production.

2 ACCOUNTING POLICIES *(CONTINUED)*

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.

(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:

Land	50 years
Plant and machinery	5 to 10 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 terminating 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 expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. 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 the in-substance fixed lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in the assessment to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(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 that is 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.

2 ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

LEASES *(CONTINUED)*

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. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. 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.

INVESTMENTS AND OTHER FINANCIAL ASSETS

INITIAL RECOGNITION AND MEASUREMENT

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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, 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 IFRS 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.

The Group's business model for managing financial assets refers to how it manages its financial assets 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 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 profit or loss when the asset is derecognised, modified, or impaired.

2 ACCOUNTING POLICIES *(CONTINUED)*

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 a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. 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 its 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 ACCOUNTING POLICIES *(CONTINUED)*

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 1 year 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.

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

2 ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(continued)*

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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

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 payables, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)
After initial recognition, trade and other payables, 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 the derecognition of the original liability and the 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 consolidated 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, to realise the assets and settle the liabilities simultaneously.

2 ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted moving 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.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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, for example, under an insurance contract, 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.

The Group provides for warranties in relation to the sale of certain biopharmaceutical products during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

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, except that deferred tax is not recognised for the Pillar Two income taxes.

2 ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

INCOME TAX *(CONTINUED)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(a) when 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

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, 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.

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:

(a) when the deferred tax asset relating to the deductible temporary differences 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

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, 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 by the end of each 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 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.

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant 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 grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2 ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer 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.

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 IFRS 15.

Sale of biopharmaceutical products

Revenue from the sale of biopharmaceutical products is recognised at the point in time when control of the asset is transferred to the customer, generally on receipt of the biopharmaceutical products. Some contracts for the sale of biopharmaceutical products provide customers with sales rebates. Sales rebates, giving rise to variable consideration.

License

The Group grant commercialisation licenses or intellectual property licenses (collectively, the “License”) of certain products. The License are either sold separately or bundled together with research and development service to one customer.

Contracts for bundled License and research and development service are comprised of two performance obligations because the promises to transfer the License and provide research and development service are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of the License and research and development services.

For the commercialisation licenses, the Group would undertake activities, such as being the exclusive supplier of the certain biopharmaceutical products related to the License, which significantly affect the License. Thus, the customers get a right to access the License and the revenue of License is recognised overtime during the expected commercialisation period after obtaining the commercialisation authorisation from the local authorities. And for the intellectual property licenses which the customer get a right to use the License, the revenue of the License is recognised at a point of time, when the control of the license is transferred to the customer and the customer is able to consume and benefit from the License. The consideration for License comprises fixed element and variable elements. The variable elements are included in the transaction price when the Group can conclude that it is highly probable there will not be a significant reversal of revenue.

Research and development service

The Group provides research and development services that are either rendered separately or bundled together with the License to a customer.

2 ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(continued)*

Research and development service *(continued)*

Contracts for bundled research and development service and License are comprised of two performance obligations because the promises to provide research and development service and transfer the License are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of the research and development services and License.

For the research and development service which the customers can't control the service or consume the benefit or have no enforceable obligation to pay for the service provided to date, the Group concluded that the research and development service can be identified as a performance obligation satisfied at a point in time. The stand-alone selling prices is recognised as revenue when the customers accept and can benefit from this service.

For research and development service which the customer simultaneously receives and consumes the benefits provided by the Group, the revenue from research and development services is recognised over time, using an input or output method to measure progress towards complete satisfaction of the service. The progress is determined on the basis of the cost expended relative to the total expected cost to complete the service.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

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.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

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 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.

2 ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

CONTRACT COSTS *(CONTINUED)*

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-award schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services 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. The fair value is determined by reference to the lasted market price of share transaction or determined by an external valuer, further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. 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.

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 have 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 has 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.

2 ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Other employee benefits

Pension scheme

The employees are required to participate in a defined central pension scheme managed by the local municipal government of the areas in the PRC. The PRC companies are required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Accommodation benefits

According to the relevant PRC rules and regulations, the PRC companies now comprising the Group and their employees are each required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by the government agencies in the PRC. There is no further obligation on the part of the Group except for such contributions to the accommodation fund. Contributions to an accommodation fund administrated by government agencies are charged to the consolidated statement of profit or loss as and when they are incurred.

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 notes 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 RMB, 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 the statement of profit or loss.

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 is measured. 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 ACCOUNTING POLICIES *(CONTINUED)*

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 overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates 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.

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.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(a) Identifying performance obligation under contracts which have bundled sales of the License and research and development services

The Group have certain contracts which provide the License together with research and development service to a customer. The Group determined that both the License and research and development services are capable of being distinct. The Group also determined that the promises to transfer the License and provide research and development services are distinct within the context of the contract. The Group is not providing a significant integration service because the presence of the License and research and development services together in the contract does not result in any additional or combined functionality and neither the License nor the research and development modifies or customises the other. In addition, the License and research and development services are not highly interdependent or highly interrelated, because the Group would be able to transfer the License even if the customer declined research and development service and would be able to provide research and development service if other distributors have such request. Consequently, the Group has allocated a portion of the transaction price to the License and the research and development services based on relative stand-alone selling prices.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

JUDGEMENTS *(CONTINUED)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(CONTINUED)*

(b) Determining the timing of satisfaction of the License

The Group concluded that for the License which would be significantly affected by the activities undertaken by the Group, such as being the exclusive supplier of certain biopharmaceutical products related to the License, the customers get a right to access the License, the revenue is recognised overtime during the expected commercialisation period of the related biopharmaceutical products. The Group determined that the output method is the best method in measuring the progress of the License because there is a relationship between the Group's output and the transfer of the License to the customers. The Group recognises revenue on the basis of the output happened relative to the total expected output during the expected commercialisation period.

For the License which the customer gets a right to use the License, revenue for the License is recognised at the point of time when the control of the License is transferred to the customer and the customer is able to consume and benefit from the License.

(c) Determining the timing of satisfaction of research and development services

The Group concluded that in some contracts, revenue for research and development services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the research and development services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the input method is the best method in measuring the progress of the research and development services because there is a direct relationship between the Group's effort (i.e., actual cost incurred) and the transfer of services to the customer. The Group recognises revenue on the basis of the cost expended relative to the total expected cost to complete the services.

The Group also concluded that in some other contracts, revenue for research and development services is to be recognised at a point of time, because the customers cannot control the service or consume the benefit and have no enforceable obligation to pay for the service provided to date.

(d) Determining the method to estimate variable consideration

Certain contracts include variable consideration based on the future events. 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.

Given that the payments of certain variable consideration are not within the control of the Group, such as regulatory approvals, relevant consideration is not considered until relevant approvals are obtained. The Group determines that the most likely amount method is the appropriate method to estimate the variable consideration. When it is highly probable that the income corresponding to the relevant consideration will not be significantly reversed, the uncertainty of the variable consideration is eliminated and the variable consideration will be included in the transaction price. At the end of each reporting period, the Group will re-evaluate the probability of the payment of the variable consideration, and if necessary, adjust the estimation of the overall transaction price.

SIGNIFICANT JUDGEMENT IN DETERMINING THE LEASE TERM OF CONTRACTS

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by a highly possible renewal action which is reasonably certain to be exercised.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

JUDGEMENTS *(CONTINUED)*

SIGNIFICANT JUDGEMENT IN DETERMINING THE LEASE TERM OF CONTRACTS *(CONTINUED)*

The Group has a high possibility to renew the periods under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to renew. That is, it considers all relevant factors that create an economic incentive for it to renew. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to renew (or not to renew) the periods of existing leases (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and laboratories due to the significance of these assets to its operations. These leases have a short and non-cancellable period and there will be a significant negative effect on operation or production if a replacement is not readily available.

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 significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

PROVISION FOR EXPECTED CREDIT LOSSES ON RECEIVABLES AND CONTRACT ASSETS

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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, 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 and contract assets are disclosed in note 19 and note 21, respectively, to the financial statements.

LEASES – ESTIMATING THE INCREMENTAL BORROWING RATE

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. 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).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

ESTIMATION UNCERTAINTY *(CONTINUED)*

NET REALISABLE VALUE OF INVENTORIES

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs and prices change when the products' expiration date is approaching. Management reassesses these estimates at the end of the reporting period.

STAND-ALONE SELLING PRICES OF THE LICENSE AND THE RESEARCH AND DEVELOPMENT SERVICES

The Group has certain contracts which provide the License together with research and development services to customers. As part of the accounting for these arrangements, the Group will develop assumptions that require estimation to determine the stand-alone selling price for each performance obligation identified in the contract. In developing the stand-alone selling price for a performance obligation, the Group considers the fair value of each performance obligation, and the fair value is determined using the valuation techniques (expected cost plus a margin approach or income approach) that are appropriate in the circumstances and for which sufficient data are available to measure fair value, the key assumptions include the discount rates, royalty rates and the cost mark-up rates. The consideration allocated to each performance obligation is limited to the consideration that is not constrained.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

USEFUL LIVES OF INTANGIBLE ASSETS

The Group reviews the useful life of intangible assets at least at the end of each year. If there is evidence that the useful life of intangible assets is different from the previous estimate, the amortisation period of intangible assets with limited useful lives will be changed. For intangible assets with uncertain service life, if there is evidence that its service life is limited, it shall be amortised according to a reasonable method. The difference between the actual result and the original estimate will affect the book value of intangible assets and the provision for impairment of intangible assets in the current and subsequent periods when the estimate is changed.

IMPAIRMENT OF NON-FINANCIAL ASSETS (OTHER THAN GOODWILL)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets and deferred development costs 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 are 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

ESTIMATION UNCERTAINTY *(CONTINUED)*

DEFERRED TAX ASSETS

Deferred tax assets are recognised for deductible temporary differences, and the carryforward of unused tax credits and unused tax losses 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. 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. Further details are contained in note 28 to the financial statements.

DEFERRED DEVELOPMENT COSTS

Deferred development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. In determining the amounts to be capitalised, management makes assumptions with regard to future economic benefits generated from the assets, discount rates to be applied and the expected period of benefits. Further details are contained in note 15 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group is engaged in biopharmaceutical R&D, biopharmaceutical services and biopharmaceutical production and sales, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no analysis by operating segment is presented.

GEOGRAPHICAL INFORMATION

(A) REVENUE FROM EXTERNAL CUSTOMERS

	2023 RMB'000	2022 RMB'000
Chinese Mainland	**4,810,621**	2,840,567
Asia Pacific (excluding Chinese Mainland)	**193,988**	178,971
North America	**314,789**	145,056
South America	**19,144**	–
Europe	**56,367**	50,136
Total revenue	**5,394,909**	3,214,730

The revenue geographical information above is based on the locations of the customers.

(B) NON-CURRENT ASSETS

	2023 RMB'000	2022 RMB'000
Chinese Mainland	**7,087,635**	6,600,293
Overseas	**139,904**	132,473
Total non-current assets	**7,227,539**	6,732,766

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers amounting to over 10% to the total revenue of the Group in the reporting period is as follows:

	2023 RMB'000
Customer A	1,932,173
Customer B	552,068
	2,484,241

	2022 RMB'000
Customer A	1,000,670
Customer B	582,908
	1,583,578

5. REVENUE

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	5,392,189	3,212,800
Revenue from other sources		
Gross rental income from operating leases	2,720	1,930
	5,394,909	3,214,730

5. REVENUE *(CONTINUED)*

REVENUE FROM CONTRACTS WITH CUSTOMERS

(A) REVENUE INFORMATION

	2023 RMB'000	2022 RMB'000
Types of goods or service		
Sales of biopharmaceutical products	**4,553,548**	2,675,372
Research and development services	**698,906**	325,484
Licensing revenue	**138,953**	211,016
Others	**782**	928
Total revenue from contracts with customers	**5,392,189**	3,212,800
Timing of revenue recognition		
Transferred at a point in time	**4,782,856**	2,899,468
Transferred over time	**609,333**	313,332
Total revenue from contracts with customers	**5,392,189**	3,212,800

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:

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Licensing revenue	**23,383**	182,366
Research and development services	**194,499**	24,375
	217,882	206,741

There is no revenue recognised from performance obligations satisfied in previous periods.

(B) PERFORMANCE OBLIGATIONS

Information about the Group's performance obligations is summarised below:

Sale of biopharmaceutical products

The performance obligation is satisfied upon receipt of the products and payment is generally due within 90 days from the received date.

The license

The performance obligation of commercialisation licenses is generally satisfied overtime during the expected commercialisation period after the Group obtains the commercialisation authorisation from the local authorities and payment in advance is normally required. The performance obligation of intellectual property licenses is satisfied at a point in time and payment is billed based on the milestone achieved.

5. REVENUE *(CONTINUED)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(CONTINUED)*

(B) PERFORMANCE OBLIGATIONS *(CONTINUED)*

Research and development services

Based on the terms of the contracts, the performance obligation is generally satisfied over time as services are rendered or at the point in time as the services are completed and accepted and payment is billed based on the milestone achieved.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023 RMB'000	2022 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**687,922**	469,966
After one year	**1,090,827**	726,156
	1,778,749	1,196,122

The remaining performance obligations expected to be recognised after one year mainly relate to the transaction prices allocated to the License and research and development services. The revenue from the License is expected to be recognised during the future estimated commercialisation period. The revenue from research and development services is expected to be recognised during the period in which the services are being rendered. The amounts disclosed above do not include variable consideration.

6. OTHER INCOME AND GAINS

	2023 RMB'000	2022 RMB'000
Interest income	**8,146**	3,571
Exchange gains	**(1,421)**	32,919
Government grants	**59,814**	69,043
Others	**2,375**	19
Total other income and gains	**68,914**	105,552

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		**799,043**	504,504
Cost of services provided		**677,069**	340,117
Depreciation of property, plant and equipment*		**135,768**	113,828
Depreciation of right-of-use assets*		**73,693**	64,520
Amortisation of intangible assets*		**149,772**	99,255
Research and development expenses:			
Current year expenditure		**1,118,732**	1,394,514
Lease payments not included in the measurement of lease liabilities	16(c)	**8,751**	5,594
Auditor's remuneration		**5,400**	3,350
Employee benefit expense (including directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**1,390,934**	1,127,336
Staff welfare expenses		**255,547**	227,120
Share-based payment expense*	32	**2,587**	12,517
Foreign exchange (gains)/losses		**1,421**	(32,919)
Impairment of financial assets, net:			
Impairment of trade receivables	19	**9,031**	1,638
Impairment of other receivables		**21,249**	199,153
Write-down of inventories to net realisable value		**22,817**	24,669
Bank interest income	6	**(8,146)**	(3,571)
Gain on disposal of right-of-use assets		**(455)**	–
(Gain)/loss on disposal of items of property, plant and equipment		**(267)**	248

* The depreciation of property, plant and equipment, the depreciation of right-of-use assets, the amortisation of intangible assets and the share-based payment expense for the year are included in "Cost of sales", "Research and development expenses", "Selling and distribution expenses" and "Administrative expenses" in the consolidated statement of profit or loss.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest expense on bank and other borrowings	134,175	115,886
Interest expense on lease liabilities (note 16(b))	13,348	14,910
Less: Interest capitalised (note 14)	(36,984)	(25,124)
Total	110,539	105,672

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' REMUNERATION

Directors', supervisors' 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 RMB'000	2022 RMB'000
Fees	1,084	1,032
Other emoluments:		
Salaries, allowances and benefits in kind	19,404	9,954
Performance-related bonuses	1,920	1,380
Share award scheme	1,106	5,083
Subtotal	22,430	16,417
Total fees and other emoluments	23,514	17,449

During the year and in prior years, certain directors and supervisors were granted to restricted shares in respect of their services to the Group, further details of which are set out in note 32 to the financial statements. The fair value of these restricted shares, which has been recognised in the statement of 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 directors', supervisors' and chief executives' remuneration disclosures below.

There were no emoluments paid by the Group to the directors as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office during the year.

(A) INDEPENDENT NON-EXECUTIVE DIRECTORS

The fees paid to independent non-executive directors during the year were as follows:

	2023 RMB'000	2022 RMB'000
Dr. Lik Yuen Chan	271	258
Mr. Tak Young So	271	258
Dr. Ruilin Song	271	258
Dr. Guoping Zhao	271	258
Total	1,084	1,032

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' REMUNERATION *(CONTINUED)*

(B) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVES

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Share award scheme RMB'000	Total remuneration RMB'000
2023						
Executive directors						
Mr. Wenjie Zhang	–	–	–	–	–	–
Mr. Jun Zhu [(1)]	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Non-executive directors						
Mr. Qiyu Chen	–	–	–	–	–	–
Mr. Yifang Wu	–	–	–	–	–	–
Ms. Xiaohui Guan	–	–	–	–	–	–
Mr. Deyong Wen	–	–	–	–	–	–
Mr. Zihou Yan [(2)]	–	–	–	–	–	–
Mr. Xingli Wang[(3)]	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Supervisors						
Ms. Rongli Feng	–	–	–	–	–	–
Mr. Deli Kong	–	–	–	–	–	–
Mr. Yexing Yuan[(4)]	–	588	–	–	–	588
Subtotal	–	588	–	–	–	588
Chief executives						
Mr. Wenjie Zhang[(5)]	–	10,686	960	–	935	12,581
Mr. Jun Zhu[(5)]	–	8,130	960	–	171	9,261
Subtotal	–	18,816	1,920	–	1,106	21,842
Total	–	19,404	1,920	–	1,106	22,430

(1) Mr. Jun Zhu was appointed as an executive director of the Company in August 2023.

(2) Mr. Zihou Yan resigned as a non-executive director of the Company in July 2023.

(3) Mr. Xingli Wang was appointed as a non-executive director in August 2023.

(4) Mr. Yexing Yuan was appointed as a supervisor on 1 January 2023.

(5) Mr. Wenjie Zhang resigned as the chief executive officer in July 2023 and Mr. Jun Zhu was appointed as the chief executive officer in July 2023.

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2022: Nil).

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' REMUNERATION *(CONTINUED)*

(B) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVES *(CONTINUED)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Share award scheme RMB'000	Total remuneration RMB'000
2022						
Executive director						
Mr. Wenjie Zhang	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Non-executive directors						
Mr. Qiyu Chen	–	–	–	–	–	–
Mr. Yifang Wu	–	–	–	–	–	–
Dr. Aimin Hui(1)	–	–	–	–	–	–
Ms. Xiaohui Guan	–	–	–	–	–	–
Mr. Zihou Yan	–	–	–	–	–	–
Mr. Deyong Wen(2)	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Supervisors						
Ms. Rongli Feng	–	–	–	–	–	–
Mr. Deli Kong	–	–	–	–	–	–
Ms. Junhong Liu(3)	–	1,176	420	–	–	1,596
Subtotal	–	1,176	420	–	–	1,596
Chief executive	–					
Mr. Wenjie Zhang	–	8,778	960	–	5,083	14,821
Subtotal	–	8,778	960	–	5,083	14,821
Total	–	9,954	1,380	–	5,083	16,417

(1) Dr. Aimin Hui resigned as a non-executive director of the Company in July 2022.

(2) Mr. Deyong Wen ("Mr. Wen") was appointed as a non-executive director in July 2022.

(3) Ms. Junhong Liu resigned as a supervisor on 31 December 2022.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2022: one), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2022: four) highest paid employees who are neither a director, supervisor nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	17,511	19,703
Performance-related bonuses	5,019	5,281
Share award scheme	873	4,127
Total	23,403	29,111

The number of non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023 RMB'000	2022 RMB'000
Nil to RMB1,000,000	–	–
RMB5,000,001 to RMB5,500,000	1	1
RMB5,500,001 to RMB6,000,000	–	1
RMB6,000,001 to RMB6,500,000	–	–
RMB6,500,001 to RMB7,000,000	–	–
RMB7,500,001 to RMB8,000,000	–	1
RMB8,000,001 to RMB8,500,000	–	–
RMB8,500,001 to RMB9,000,000	1	–
RMB9,000,001 to RMB9,500,000	1	–
RMB10,000,001 to RMB10,500,000	–	1
Total	3	4

During the year and in prior years, restricted shares were granted to certain non-director, non-supervisor and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair value of such restricted shares, which has been recognised in the statement of 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 non-director, non-supervisor and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

The provision for Chinese Mainland current income tax is based on the statutory rate of 25% (2022: 25%) of the assessable profits 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 group entities in Chinese Mainland, which are taxed at a preferential rate of 15%.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. The provision for current income tax of Henlius USA incorporated in the United State and Henlius Industrial incorporated in Hong Kong in the year of 2023, is based on the statutory rates of 29.84% and 8.25%, respectively (2022: 29.84%, 8.25% respectively).

	2023 RMB'000	2022 RMB'000
Current – Mainland China	23,559	1,372
Total tax charged for the year	23,559	1,372

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Year ended 31 December 2023

	Chinese Mainland RMB'000	Other countries and regions RMB'000	Total RMB'000
Profit/(Loss) before tax	708,676	(139,098)	569,578
Tax at the statutory tax rate	177,169	(40,470)	136,699
Lower tax rate for a specific entity	(68,950)	–	(68,950)
Withholding income tax paid	23,559	–	23,559
Expenses not deductible for tax	43,464	–	43,464
Additional deductible allowance for R&D expenses	(176,553)	–	(176,553)
Utilisation of the unrecognised tax losses	(153,488)	–	(153,488)
Deductible temporary differences and tax losses not recognised	178,358	40,470	218,828
Tax charge at the effective rate	23,559	–	23,559

11. INCOME TAX *(CONTINUED)*

Year ended 31 December 2022

	Chinese Mainland RMB'000	Other countries and regions RMB'000	Total RMB'000
Loss before tax	(553,145)	(140,742)	(693,887)
Tax at the statutory tax rate	(138,286)	(41,690)	(179,976)
Lower tax rate for a specific entity	36,816	–	36,816
Withholding income tax paid	1,372	–	1,372
Expenses not deductible for tax	16,454	5	16,459
Additional deductible allowance for R&D expenses	(134,832)	–	(134,832)
Utilisation of the unrecognised tax losses	(23,513)	(82)	(23,595)
Deductible temporary differences and tax losses not recognised	243,361	41,767	285,128
Tax charge at the effective rate	1,372	–	1,372

12. DIVIDENDS

No dividends have been paid or declared by the Company during the reporting period.

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 543,299,247 (2022: 542,021,455) in issue during the year.

The calculation of the diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2023 RMB'000	2022 RMB'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	546,019	(695,259)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**543,299,247**	542,021,455
Effect of dilution – weighted average number of ordinary shares:		
Restricted shares under share award scheme	**73,857**	–
Weighted average number of ordinary shares in issue during the year in the diluted earnings/(loss) per share calculation	**543,373,104**	542,021,455

During the year ended 31 December 2022, because the diluted losses per share amount is decreased when taking restricted shares issued under the share award scheme into account, which had been disclosed in note 32 to the financial statements, the restricted shares had an anti-dilutive effect on the basic losses per share amount for the year and were ignored in the calculation of diluted losses per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Electronic equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023								
At 1 January 2023:								
Cost	–	850,063	954	829	104,530	311,051	1,002,518	2,269,945
Accumulated depreciation	–	(284,083)	(496)	(672)	(43,529)	(123,716)	–	(452,496)
Net carrying amount	–	565,980	458	157	61,001	187,335	1,002,518	1,817,449
At 1 January 2023, net of accumulated depreciation	–	565,980	458	157	61,001	187,335	1,002,518	1,817,449
Additions	–	52,046	–	–	11,574	35,589	472,846	572,055
Disposals	–	(773)	–	(10)	(21)	(1,123)	–	(1,927)
Depreciation provided during the year	–	(86,233)	(126)	(55)	(18,546)	(45,635)	–	(150,595)
Transfers	629,256	29,086	–	–	–	864	(659,206)	–
Exchange rate fluctuation	–	–	–	–	482	304	–	786
At 31 December 2023, net of accumulated depreciation	629,256	560,106	332	92	54,490	177,334	816,158	2,237,768
At 31 December 2023:								
Cost	629,256	929,020	954	625	116,786	346,790	816,158	2,839,589
Accumulated depreciation	–	(368,914)	(622)	(533)	(62,296)	(169,456)	–	(601,821)
Net carrying amount	629,256	560,106	332	92	54,490	177,334	816,158	2,237,768

14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Plant and machinery RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Electronic equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022							
At 1 January 2022:							
Cost	784,364	954	902	73,207	295,254	399,685	1,554,366
Accumulated depreciation	(205,075)	(370)	(668)	(28,638)	(90,730)	–	(325,481)
Net carrying amount	579,289	584	234	44,569	204,524	399,685	1,228,885
At 1 January 2022, net of accumulated depreciation	579,289	584	234	44,569	204,524	399,685	1,228,885
Additions	45,116	–	–	29,142	13,754	624,228	712,240
Disposals	(290)	–	(4)	(539)	–	–	(833)
Depreciation provided during the year	(79,530)	(126)	(73)	(14,202)	(32,660)	–	(126,591)
Transfers	21,395	–	–	–	–	(21,395)	–
Exchange rate fluctuation	–	–	–	2,031	1,717	–	3,748
At 31 December 2022, net of accumulated depreciation	565,980	458	157	61,001	187,335	1,002,518	1,817,449
At 31 December 2022:							
Cost	850,063	954	829	104,530	311,051	1,002,518	2,269,945
Accumulated depreciation	(284,083)	(496)	(672)	(43,529)	(123,716)	–	(452,496)
Net carrying amount	565,980	458	157	61,001	187,335	1,002,518	1,817,449

As at 31 December 2023, the carrying amounts of property, plant and equipment of the Group included capitalised interest of approximately RMB75,086,000 (31 December 2022: RMB38,102,000). During this year, the construction of Songjiang Second Plant's phase I project was completed and transferred to buildings with amounts of RMB629,256,000.

As at 31 December 2023, the Group's property, plant and equipment with a carrying amount of RMB907,539,000 (2022: RMB664,852,000) were pledged as security for the Group's interest-bearing bank and other borrowings, as further detailed in note 26 to financial statements.

15. INTANGIBLE ASSETS

	Non-patent technologies RMB'000	Office software RMB'000	Deferred development costs RMB'000	Medicine license RMB'000	Total RMB'000
31 December 2023					
Cost at 1 January 2023, net of accumulated amortisation	**48,921**	**35,961**	**1,629,152**	**2,618,249**	**4,332,283**
Additions	**–**	**11,411**	**509,434**	**–**	**520,845**
Transfers	**–**	**2,085**	**(693,919)**	**693,919**	**2,085**
Transfer to cost of sales	**–**	**–**	**(194,523)**	**–**	**(194,523)**
Amortisation during the year	**–**	**(5,910)**	**–**	**(144,053)**	**(149,963)**
Exchange rate fluctuation	**–**	**2**	**–**	**–**	**2**
At 31 December 2023	**48,921**	**43,549**	**1,250,144**	**3,168,115**	**4,510,729**
At 31 December 2023:					
Cost	**48,921**	**62,825**	**1,278,992**	**3,521,560**	**4,912,298**
Accumulated amortisation	**–**	**(19,276)**	**–**	**(353,445)**	**(372,721)**
Accumulated impairment	**–**	**–**	**(28,848)**	**–**	**(28,848)**
Net carrying amount	**48,921**	**43,549**	**1,250,144**	**3,168,115**	**4,510,729**
31 December 2022					
Cost at 1 January 2022, net of accumulated amortisation	48,921	28,961	1,715,588	1,841,461	3,634,931
Additions	–	11,473	788,688	–	800,161
Disposals	–	–	–	(3,433)	(3,433)
Impairments	–	–	–	–	–
Transfers	–	–	(875,124)	875,124	–
Amortisation during the year	–	(4,483)	–	(94,903)	(99,386)
Exchange rate fluctuation	–	10	–	–	10
At 31 December 2022	48,921	35,961	1,629,152	2,618,249	4,332,283
At 31 December 2022:					
Cost	48,921	49,327	1,658,000	2,827,641	4,583,889
Accumulated amortisation	–	(13,366)	–	(209,392)	(222,758)
Accumulated impairment	–	–	(28,848)	–	(28,848)
Net carrying amount	48,921	35,961	1,629,152	2,618,249	4,332,283

The intangible assets of the Group with indefinite life are non-patent technologies, which have indefinite life as the extension cost is low and these assets can be used indefinitely. In addition, the intangible assets of the Group also include the deferred development costs which are the expenditure incurred in the development phase of each project. Management tests the non-patent technologies with indefinite useful life and the deferred development costs which were not yet available for use for impairment annually by comparing their carrying amounts with their recoverable amounts.

15. INTANGIBLE ASSETS *(CONTINUED)*

NON-PATENT TECHNOLOGIES

The recoverable amounts of the non-patent technologies were determined based on the fair value less costs of disposal, and the fair values of non-patent technologies were determined using the relief from the royalty method taking into account the nature of the asset, using cash flow projections based on financial budget approved by the management, and the growth rate used to extrapolate the cash flows beyond the financial budget period is 2.2% (2022: 2.3%), which is close to the long-term inflation rate. The fair value measurement hierarchy of the non-patent technologies was level 3. Other key assumptions to the valuation model used are listed as follows:

	31 December 2023	31 December 2022
Discount rates	**16.00%**	16.00%
Royalty rates	**5.00%**	5.00%

Discount rates – The discount rates used reflect specific risks relating to non-patent technologies.

Royalty rates – The basis used to determine the value assigned to royalty rates is the royalty rate of the market where non-patent technologies are located, taking into account the profitability of the Group and other qualitative factors.

DEFERRED DEVELOPMENT COSTS

The recoverable amounts of the deferred development costs were determined based on the fair value less costs of disposal, and the fair value of the deferred development costs was determined using the multi-period excess earnings method taking into account the nature of the assets, using cash flow projections based on financial budget approved by the management, covering the economic life of corresponding biopharmaceutical products.

The fair value measurement hierarchy of the remaining deferred development costs was level 3. Other key assumptions to the valuation model used are listed as follows:

	31 December 2023	31 December 2022
Discount rates	**17.68%-19.89%**	16.00%-17.00%
Contributory asset charges	**1.94%-3.65%**	2.83%-4.57%

Discount rates – The discount rates used reflect specific risks relating to deferred development costs.

Contributory asset charges – The basis used to determine the value assigned to contributory asset charges is the return of revenue ("ROR") of the contributory assets, the ROR was determined according to the borrowing rate and cost of equity, and the contributory assets mainly included working capital, tangible assets and assembled workforce.

With regard to the assessment of fair value, management believes that no reasonably possible changes in any of the key assumptions would cause the recoverable amounts of non-patent technologies and deferred development costs to be materially lower than their carrying amounts.

16. LEASES

THE GROUP AS A LESSEE

The Group has lease contracts for various items of plant and machinery and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and machinery generally have lease terms between 2 and 10 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(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:

31 December 2023

	Land RMB'000	Plant and machinery RMB'000	Total RMB'000
As at 1 January 2023	196,837	215,585	412,422
Additions	–	94,449	94,449
Disposal	–	(5,421)	(5,421)
Depreciation charge	(4,233)	(83,223)	(87,456)
Exchange rate fluctuation	–	892	892
As at 31 December 2023	192,604	222,282	414,886

31 December 2022

	Land RMB'000	Plant and machinery RMB'000	Total RMB'000
As at 1 January 2022	201,070	237,131	438,201
Additions	–	48,377	48,377
Depreciation charge	(4,233)	(74,936)	(79,169)
Exchange rate fluctuation	–	5,013	5,013
As at 31 December 2022	196,837	215,585	412,422

At 31 December 2023, the Group's right-of-use assets with a carrying amount of RMB192,604,000 (2022: RMB196,837,000) were pledged as security for the Group's interest-bearing bank and other borrowings, as further detailed in note 26 to the financial statements.

16. LEASES *(CONTINUED)*

THE GROUP AS A LESSEE *(CONTINUED)*

(B) LEASE LIABILITIES

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the years are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	261,092	292,750
New leases	94,102	48,377
Accretion of interest recognised during the year	13,348	14,910
Disposal	(5,876)	–
Payments	(90,330)	(100,795)
Exchange rate fluctuation	1,080	5,850
Carrying amount at 31 December	273,416	261,092
Analysed into:		
Current portion	86,961	81,445
Non-current portion	186,455	179,647

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

(C) THE AMOUNTS RECOGNISED IN PROFIT OR LOSS IN RELATION TO LEASES ARE AS FOLLOWS:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	13,348	14,910
Depreciation charge of right-of-use assets	73,693	64,520
Expense relating to short-term leases and leases of low-value assets	8,751	5,594
Total amount recognised in profit or loss	95,792	85,024

(D) THE TOTAL CASH OUTFLOW FOR LEASES AND FUTURE CASH OUTFLOWS RELATING TO LEASES THAT HAVE NOT YET COMMENCED ARE DISCLOSED IN NOTES 33(C) AND 35(B), RESPECTIVELY, TO THE FINANCIAL STATEMENTS.

17. OTHER NON-CURRENT ASSETS

	2023 RMB'000	2022 RMB'000
Prepayment for non-current assets	33,557	170,612
Long-term deposits	15,599	–
Prepayment for the proposed acquisition of a subsidiary	15,000	–
Total	64,156	170,612

18. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	284,371	390,161
Work in progress	432,492	247,985
Finished goods	68,827	149,907
Contract performance costs	9,912	–
	795,602	788,053
Provision	(38,243)	(30,741)
Total	757,359	757,312

19. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	663,957	462,607
Impairment	(16,129)	(7,098)
Net carrying amount	647,828	455,509

The Group's trading terms with its customers are mainly on credit. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

19. TRADE RECEIVABLES *(CONTINUED)*

An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023 RMB'000	2022 RMB'000
Within 3 months	635,950	373,226
3 to 6 months	11,878	114
6 to 12 months	–	20,877
1 to 2 years	–	61,292
Total	647,828	455,509

	2023 RMB'000	2022 RMB'000
At the beginning of year	7,098	5,460
Impairment losses, net	9,031	1,638
At the end of year	16,129	7,098

For the trade receivables generated from the sales of pharmaceutical products, to which the customers have similar loss patterns, 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, and 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.

The expected loss rate for the trade receivables generated from the sales of pharmaceutical products that are not past due is assessed to be 0.5%, while the expected loss rate for those that are past due is assessed to be 10% to 100% based on the time of past due. The Directors are of the opinion that the ECL in respect of these balances is sufficient.

For the trade receivables which are not generated from the sales of pharmaceutical products, to which the customers do not have similar loss patterns (i.e., by geographical region, sales type, customer type), an impairment analysis is performed at each reporting date separately for each customer. As at 31 December 2023, the Group's loss allowance was RMB10,960,000 (2022: RMB4,300,000).

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2023 RMB'000	2022 RMB'000
Prepayments		44,086	54,543
Value-added tax to be deducted and certified		134,980	52,119
Deposits and other receivables		21,695	31,395
Due from AMTD	(i)	470,015	601,470
		670,776	739,527
Impairment allowance	(i)	(470,015)	(441,284)
Total		200,761	298,243

Note:

(i) On 25 September 2019, the Company entered into an investment management agreement (the "IMA") with AMTD Global Markets Limited ("AMTD", now renamed as orientiert XYZ Securities Limited). Pursuant to the IMA, the Company deposited a total principal amount of USD117,000,000 into its investment portfolio account with AMTD (the "AMTD Account") and engaged AMTD to provide investment management services.

The Company recovered in total of USD30,640,000 from AMTD during the years ended 31 December 2020, 2021 and 2022. As at 31 December 2022, the outstanding balances in the AMTD Account amounted to USD86,360,000. During the year ended 31 December 2023, the Company further recovered an amount of USD20,000,000 from AMTD. As at 31 December 2023, the outstanding balances of the investment principal in AMTD Account amounted to USD66,360,000 (equivalent to RMB470,015,000).

Based on the analysis by the Company's management and with the assistance of the Company's external legal counsel, it is clarified that when the IMA was terminated on 25 September 2021,the Company had the legal rights to recover all the outstanding investment amounts from AMTD. Therefore, the outstanding investment amounts with AMTD is accounted for as an amount due from AMTD. The previous year balances of financial assets at fair value through profit or loss have been reclassified to amounts due from AMTD. During the year of 2023, the Company has taken legal actions to recover the outstanding investment amount from AMTD.

The Company assessed the expected credit losses based on all the facts and available information, including historical correspondence with AMTD and relevant analysis from the external legal counsel of the Company, etc. As at 31 December 2022, a total expected credit loss amounting to USD63,360,000 (equivalent to RMB441,284,000) was provided in connection with the amount due from AMTD which was reclassified from the total fair value losses on the financial assets at fair value through profit or loss recognised in the previous year. During the year ended 31 December 2023, an additional expected credit loss amounting to USD3,000,000 (equivalent to RMB21,249,000) was further recognised. As at 31 December 2023, the total cumulative expected credit losses amounted to USD66,360,000 (equivalent to RMB470,015,000) was fully provided in connection with the amount due from AMTD.

The deposits and other receivables included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to minimal.

21. CONTRACT ASSETS

	2023 RMB'000	2022 RMB'000
Contract assets arising from:		
Research and development services	82,419	–

Contract assets are initially recognised for revenue earned from research and development services as the receipt of consideration is based on achieving of operational milestones under development plan. Included in contract assets for research and development services are retention receivables. Upon achievement of operational milestones, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2023 was the result of the increase in the provision of research and development services at the end of the year.

During the year ended 31 December 2023, no allowance was recognised for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 19 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2023 RMB'000	2022 RMB'000
Within one year	82,419	–

22. CASH AND BANK BALANCES

	2023 RMB'000	2022 RMB'000
Cash on hand	1	1
Bank balances	987,664	680,477
Subtotal	987,665	680,478
Less: Pledged for letter of credit	(2)	(7,002)
Term deposits with original maturity of more than three months	(120,000)	–
	(120,002)	(7,002)
Cash and cash equivalents	867,663	673,476

22. CASH AND BANK BALANCES *(CONTINUED)*

The Group's cash and bank balances as at the end of each reporting period are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
Denominated in RMB	575,536	552,890
Denominated in USD	399,755	115,725
Denominated in EUR	2,868	385
Denominated in HKD	5,719	7,060
Denominated in NTD	3,787	4,418
	987,665	680,478

The RMB is not freely convertible into other currencies, however, under Chinese Mainland'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. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and restricted cash for investment are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	544,815	713,552

Trade payables are non-interest-bearing and are normally settled on terms of three to six months.

An ageing analysis of the trade payables as at the end of each reporting period based on the invoice date, is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	542,286	713,104
1 to 2 years	2,507	448
2 to 3 years	22	–
Total	544,815	713,552

24. OTHER PAYABLES AND ACCRUALS

	Note	2023 RMB'000	2022 RMB'000
Repurchase obligation of restricted shares under share award scheme (note 32)		–	7,306
Other payables	(i)	195,096	575,610
Payroll and welfare payables		571,317	454,523
Accruals		404,535	378,206
Other current liabilities		1,275	7,022
Other taxes payables		83,140	20,784
Total		1,255,363	1,443,451

Note:

(i) Other payables mainly represent the payables related to the purchase of property, plant and equipment, the deposits received and refundable prepayment in advance.

25. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Short-term advances received from customers		
Sales of goods	155,203	70,170
License and research and development services	311,675	252,250
Subtotal	466,878	322,420
Long-term advances received from customers		
License and research and development services	949,044	645,594
Subtotal	949,044	645,594
Total	1,415,922	968,014

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2023			31 December 2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities (note 16)	3.53-6.28	2024	86,961	3.98-6.28	2023	81,445
Bank borrowings – unsecured	2.80-3.86	2024	2,249,832	3.20-5.12	2023	1,839,095
Current portion of long-term bank borrowings – secured (Note (a))	3.53	2024	90,000	3.78	2023	40,000
Current portion of long-term bank borrowings – unsecured	3.65-4.05	2024	373,584	3.65-4.65	2023	561,615
Total – current			2,800,377			2,522,155
Non-current						
Lease liabilities (note 16)	3.53-6.28	2025-2030	186,455	3.98-6.28	2024-2030	179,647
Bank borrowings – secured (Note (a))	3.53	2025-2030	1,106,219	3.78	2024-2030	943,626
Bank borrowings – unsecured	–	–	–	4.45-4.50	2024-2025	31,667
Total – non-current			1,292,674			1,154,940
Total			4,093,051			3,677,095

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank borrowings and other borrowings repayable:		
Within one year	2,713,416	2,440,710
In the second year	154,950	90,000
In the third to fifth years, inclusive	789,146	623,476
Beyond five years	162,123	261,817
Subtotal	3,819,635	3,416,003
Lease liabilities:		
Within one year	86,961	81,445
In the second year	58,338	65,864
In the third to fifth years, inclusive	110,072	80,661
Beyond five years	18,045	33,122
Subtotal	273,416	261,092
Total	4,093,051	3,677,095

Notes:

(a) Certain of the Group's bank borrowings are secured by:

(i) mortgages over the Group's right-of-use assets, which had a net carrying value at the end of the reporting period of RMB192,604,000 (2022: RMB196,837,000); and

(ii) mortgages over the Group's property, plant and equipment that had a net carrying value at the end of the reporting period of RMB907,539,000 (2022: RMB664,852,000).

(b) All borrowings are in RMB (2022: except for certain of the Group's bank borrowings bearing interest at 5.12% amounting to USD10,000,000, all borrowings were in RMB).

27. OTHER LONG-TERM PAYABLES

	2023 RMB'000	2022 RMB'000
Payables relating to the license out contract (Note)	125,786	235,849
Payroll and welfare payables	39,240	39,492
Other taxes payables	7,045	17,029
Total	172,071	292,370

Note: On 17 November 2022, the Company entered into a license agreement with Fosun Pharma Industrial Development, a fellow subsidiary of the Company, to grant Fosun Pharmaceutical Industrial Development an exclusive license to commercialise HANSIZHUANG in the United States (including its territories and possessions) for the treatment indication of Extensive Stage Small-Cell Lung Cancer (ES-SCLC) and any other indication (other than ES-SCLC) as mutually agreed between the Company and Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. in human. The contract was approved by the extraordinary general meeting on 27 December 2022. On 9 August 2023, the Company entered into an amendment agreement with Fosun Pharma Industrial Development, and the amendment agreement was approved by the extraordinary general meeting on 28 August 2023. As at 31 December 2023, the Company received a total upfront payment of RMB800,000,000 from Fosun Pharma Industrial Development relating to this license agreement, among which RMB250,000,000 was received in the year of 2022. An amount of RMB125,786,000 was recognised as other long-term payable based on the contract term.

28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

DEFERRED TAX LIABILITIES

	Right-of-use assets RMB'000
At 31 December 2022	–
Effect of adoption of amendments to IAS 12	27,411
At 1 January 2023 (restated)	27,411
Deferred tax charged to the statement of profit or loss during the year (restated) (note 11)	3,094
Gross deferred tax liabilities at 31 December 2023	30,505

DEFERRED TAX ASSETS

	Lease liabilities RMB'000
At 31 December 2022	–
Effect of adoption of amendments to IAS 12	27,411
At 1 January 2023 (restated)	27,411
Deferred tax credited to the statement of profit or loss during the year (restated) (note 11)	3,094
Gross deferred tax assets at 31 December 2023	30,505

28. DEFERRED TAX *(CONTINUED)*

DEFERRED TAX LIABILITIES

	Right-of-use assets RMB'000
At 31 December 2021	–
Effect of adoption of amendments to IAS 12	30,754
At 1 January 2022 (restated)	30,754
Deferred tax charged to the statement of profit or loss during the year (restated) (note 11)	(3,343)
Gross deferred tax liabilities at 31 December 2022 (restated)	**27,411**

DEFERRED TAX ASSETS

	Lease liabilities RMB'000
At 31 December 2021	–
Effect of adoption of amendments to IAS 12	30,754
At 1 January 2022 (restated)	30,754
Deferred tax credited to the statement of profit or loss during the year (restated) (note 11)	(3,343)
Gross deferred tax assets at 31 December 2022 (restated)	**27,411**

For presentation purposes, certain deferred tax assets and liabilities 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 RMB'000	2022 RMB'000
Deferred tax offset in the consolidated statement of financial position	**30,505**	27,411
Net deferred tax assets recognised in the consolidated statement of financial position	**30,505**	27,411
Net deferred tax liabilities recognised in the consolidated statement of financial position	**30,505**	27,411

Deferred tax assets have not been recognised in respect of the following items:

	2023 RMB'000	2022 RMB'000
Tax losses	**2,726,545**	3,919,645
Deductible temporary difference	**3,966,690**	2,889,053
Total	**6,693,235**	6,808,698

28. DEFERRED TAX *(CONTINUED)*

DEFERRED TAX ASSETS *(CONTINUED)*

The unused tax losses expire as follows:

	2023 RMB'000	2022 RMB'000
Less than five years	1,094,119	653,625
Beyond five years	1,389,375	2,978,591
Without limitation	243,051	287,429
Total	2,726,545	3,919,645

29. DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
Government grants	230,048	193,494

Various government grants have been received from local government authorities for setting up research and development activities. Some government grants received that did not meet the fulfilled conditions were included in deferred income. These grants are recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they are intended to compensate. The movements in government grants of the Group during the reporting period are as follows:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	193,494	155,741
Received during the year	42,553	50,140
Recognised as income during the year	(5,999)	(12,387)
At the end of the year	230,048	193,494

30. SHARE CAPITAL

SHARES

	2023 RMB'000	2022 RMB'000
Issue and fully paid: 543,494,853 (2022: 543,494,853) ordinary shares	543,495	543,495

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2022, 31 December 2022 and 31 December 2023	543,494,853	543,495

31. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity of the Group.

32. SHARE AWARD SCHEME

2018 Share Award Scheme and Amendments to the 2018 Share Award Scheme

The Group adopted a share award scheme (the "2018 Share Award Scheme") for the purpose of motivating the directors and key personnel of the Group to promote success of the business. The 2018 Share Award Scheme was approved by the Directors and became effective on 14 April 2018.

On 14 April 2018 (the "Date of Grant of the 2018 Share Award Scheme"), pursuant to the 2018 Share Award Scheme, 22,750,000 ordinary shares of the Company were granted to 55 eligible participants of the 2018 Share Award Scheme at an exercise price of RMB9.21 per share. All the 22,750,000 ordinary shares held by the eligible participants shall be vested (or repurchased and cancelled by the Company) in three tranches upon the expiry of each vesting period. On 30 September 2018, the Company received the payment of the subscription price of RMB209,528,000 from the eligible participants, and the Company's share capital and share premium were then increased by RMB22,750,000 and RMB186,778,000, respectively. Meanwhile, the Company has recognised RMB209,528,000 as other payables and accruals and other reserve due to the restricted share repurchase obligation of the Company till the end of the vesting period. The eligible participants include the members of senior management of the Company and the core technical personnel of the Company and its subsidiaries. Details of the vesting date are summarised as follows:

Type of eligible participants	% of conditional shares	Vesting date	% of vested conditional shares
1	100%	30 April 2020	60%
		30 April 2021	20%
		30 April 2022	20%
2	100%	30 April 2020	35%
		30 April 2021	30%
		30 April 2022	35%
3	100%	30 April 2020	20%
		30 April 2021	25%
		30 April 2022	55%

As for the restricted shares, the conditions for releasing the restrictions comprised two parts, namely the Company achieving certain milestones in respect of its products and the participants passing annual performance review. The percentage of shares in respect of which the conditions may be released depends on the achievement of those conditions. In relation to the shares in respect of which the restrictions have been released, such shares cannot be transferred within one year after releasing the restrictions.

All of the eligible participants have accepted the granted shares by signing off the offer letters. The 2018 Share Award Scheme shall be valid from the date of grant of the shares to the date on which all the restricted shares granted have been vested or otherwise repurchased and cancelled.

32. SHARE AWARD SCHEME *(CONTINUED)*

2018 Share Award Scheme and Amendments to the 2018 Share Award Scheme *(continued)*

The aggregate fair value of the shares granted amounted to approximately RMB307,125,000 (RMB13.50 per share), and the fair value is determined by an external valuer using the discounted cash flow model taking into account the terms and conditions upon which the restricted shares were granted.

The following table lists the inputs to the valuation model used:

	14 April 2018
Discount rates (%)	16.14%
Long-term growth rate (%)	3.00%

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Long-term growth rate – The basis used to determine the value assigned to the long-term growth rate is the forecast price indices during the budget year from where the biopharmaceuticals are located.

During the year of 2020, in view of the business development of the Group and to provide an effective and sound incentive mechanism with reference to market practices, the Directors proposed to amend the terms of the 2018 Share Award Scheme ("Amendments to the 2018 Share Award Scheme") which was approved by the Directors on 17 November 2020.

Pursuant to the Amendments to the 2018 Share Award Scheme, upon the resignation of the participants, the transfer restrictions of a certain percentage of the shares awarded under the 2018 Share Award Scheme will be released, if the participants have fulfilled the service period conditions and certain performance conditions.

The following restricted shares were outstanding under the 2018 Share Award Scheme and Amendments to the 2018 Share Award Scheme during the year:

	Number of shares
At 1 January 2022	2,160,700
Vested during the year	(2,080,900)
At 31 December 2022 and 1 January 2023	79,800
Vested during the year	(79,800)
At 31 December 2023	–

32. SHARE AWARD SCHEME *(CONTINUED)*

2020 Share Award Scheme

The Group adopted a share award scheme (the "2020 Share Award Scheme") for the purpose of motivating the directors and key personnel of the Group to promote success of the business. The 2020 Share Award Scheme was approved by the Directors and became effective on 10 December 2020.

On 10 December 2020 (the "Date of Grant of the 2020 Share Award Scheme"), pursuant to the 2020 Share Award Scheme, 2,780,700 ordinary shares of the Company were granted to 12 eligible participants of the 2020 Share Award Scheme at an exercise price of RMB9.21 per share. All the 2,780,700 ordinary shares are derived from the vested restricted shares at the time of the resignation of the participants in the 2018 Share Award Scheme. All the 2,780,700 ordinary shares held by the eligible participants shall be vested (or repurchased and cancelled by the Company) in two tranches upon the expiry of each vesting period. The eligible participants include the members of senior management of the Company and the core technical personnel of the Company and its subsidiaries. Details of the vesting date are summarised as follows:

Type of eligible participants	% of conditional shares	Vesting date	% of vested conditional shares
1	100%	30 April 2021	60%
		30 April 2022	20%
		30 April 2023	20%
2	100%	30 April 2021	20%
		30 April 2022	25%
		30 April 2023	55%

As for restricted shares, the conditions for releasing the restrictions comprised two parts, namely the Company achieving certain milestones in respect of its products and the participants passing annual performance review. The percentage of shares in respect of which the restrictions may be released depends on the achievement of those conditions.

All of the eligible participants have accepted the granted shares by signing off the offer letters. The 2020 Share Award Scheme shall be valid from the date of grant of the shares to the date on which all the restricted shares granted have been vested or otherwise repurchased and cancelled.

The following restricted shares were outstanding under the 2020 Share Award Scheme during the year:

	Number of shares
At 1 January 2022	1,148,280
Forfeited during the year	(42,000)
Vested during the year	(473,640)
At 31 December 2022 and 1 January 2023	632,640
Vested during the year	(632,640)
At 31 December 2023	–

The aggregate fair value of the 2020 shares granted amounted to approximately RMB63,636,000 (RMB22.88 per share), and the fair value is determined by the stock price on the date of grant of the 2020 Share Award Scheme.

32. SHARE AWARD SCHEME *(CONTINUED)*

2021 Share Award Scheme

On 7 April 2021, 13 July 2021, 30 November 2021, pursuant to the 2020 Share Award Scheme, 531,050 ordinary shares of the Company were granted to 5 eligible participants at an exercise price of RMB9.21 per share. All the 531,050 ordinary shares are derived from the forfeited shares at the time of the resignation of the participants in the 2018 and 2020 Share Award Schemes. All the 531,050 ordinary shares held by the eligible participants shall be vested (or repurchased and cancelled by the Company) in two tranches upon the expiry of each vesting period. The eligible participants include the members of senior management of the Company and the core technical personnel of the Company and its subsidiaries. Details of the vesting date are summarised as follows:

Type of eligible participants	% of conditional shares	Vesting date	% of vested conditional shares
1	100%	30 April 2021	60%
		30 April 2022	20%
		30 April 2023	20%
2	100%	30 April 2021	20%
		30 April 2022	25%
		30 April 2023	55%

As for restricted shares, the conditions for releasing the restrictions comprised two parts, namely the Company achieving certain milestones in respect of its products and the participants passing annual performance review. The percentage of shares in respect of which the restrictions may be released depends on the achievement of those conditions.

All of the eligible participants have accepted the granted shares by signing off the offer letters. The Share Award Scheme shall be valid from the date of grant of the shares to the date on which all the restricted shares granted have been vested or otherwise repurchased and cancelled.

The following restricted shares were outstanding under the Share Award Scheme during the year:

	Number of shares
At 1 January 2022	265,040
Vested during the year	(112,788)
At 31 December 2022	152,252
Vested during the year	(152,252)
At 31 December 2023	–

The aggregate fair value of the shares granted amounted to approximately RMB9,952,000 (131,550 shares with RMB25.18 per share, 89,500 shares with RMB20.39 per share, and 310,000 shares with RMB15.53 per share), and the fair value is determined by the stock price on the date of grant of the Share Award Scheme.

32. SHARE AWARD SCHEME *(CONTINUED)*

2022 Share Award Scheme

On 28 February 2022, pursuant to the 2020 Share Award Scheme, 42,000 ordinary shares of the Company were granted to a eligible participant at an exercise price of RMB9.21 per share. All the 42,000 ordinary shares are derived from the forfeited shares at the time of the resignation of the participants in the 2020 Share Award Schemes. All the 42,000 ordinary shares held by the eligible participants shall be vested (or repurchased and cancelled by the Company) in two tranches upon the expiry of each vesting period. The eligible participants include the members of senior management of the Company and the core technical personnel of the Company and its subsidiaries. Details of the vesting date are summarised as follows:

Type of eligible participants	% of conditional shares	Vesting date	% of vested conditional shares
1	100%	30 April 2021	60%
		30 April 2022	20%
		30 April 2023	20%

As for restricted shares, the conditions for releasing the restrictions comprised two parts, namely the Company achieving certain milestones in respect of its products and the participants passing annual performance review. The percentage of shares in respect of which the restrictions may be released depends on the achievement of those conditions.

All of the eligible participants have accepted the granted shares by signing off the offer letters. The Share Award Scheme shall be valid from the date of grant of the shares to the date on which all the restricted shares granted have been vested or otherwise repurchased and cancelled.

The following restricted shares were outstanding under the Share Award Scheme during the year:

	Number of shares
At 1 January 2022	–
Granted during the year	42,000
Vested during the year	(33,600)
At 31 December 2022	8,400
Vested during the year	(8,400)
At 31 December 2023	–

The aggregate fair value of the shares granted amounted to approximately RMB396,000 (42,000 shares with RMB9.44 per share), and the fair value is determined by the stock price on the date of grant of the Share Award Scheme.

The Group has recognised expenses of RMB2,286,000, deferred development costs of RMB38,000, cost of sales of RMB301,000 and inventory of RMB2,000 for the year ended 31 December 2023 in respect of all the Share Award Scheme of the Company (2022: The Group has recognised expenses of RMB11,013,000, deferred development costs of RMB704,000, cost of sales of RMB1,504,000).

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) MAJOR NON-CASH TRANSACTIONS

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB94,449,000 (2022: RMB48,377,000) and RMB94,102,000 (2022: RMB48,377,000), respectively, and non-cash disposals to right-of-use assets and lease liabilities of RMB5,421,000 (2022: Nil) and RMB5,876,000 (2022: Nil),respectively, in respect of lease arrangements for plant and machinery.

(b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES:

	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Interest payable included in other payables and accruals RMB'000
2023			
At 1 January 2023	**3,416,003**	**261,092**	**1,604**
New leases	**–**	**94,102**	**–**
Disposal	**–**	**(5,876)**	**–**
Changes from financing cash flows	**364,666**	**(90,330)**	**(129,905)**
Foreign exchange movement	**37,301**	**1,080**	**–**
Interest capitalised	**–**	**–**	**36,984**
Interest expense	**1,665**	**13,348**	**95,526**
At 31 December 2023	**3,819,635**	**273,416**	**4,209**
2022			
At 1 January 2022	2,330,187	292,750	575
New leases	–	48,377	–
Changes from financing cash flows	1,073,563	(100,795)	(114,752)
Foreign exchange movement	12,148	5,850	–
Interest capitalised	–	–	25,124
Interest expense	105	14,910	90,657
At 31 December 2022	3,416,003	261,092	1,604

33. 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 RMB'000	2022 RMB'000
Within operating activities	8,751	5,594
Within financing activities	90,330	100,795
Total	99,081	106,389

34. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's letter of credit and for the bank and other borrowings are included in notes 22 and 26, respectively, to the financial statements.

35. COMMITMENTS

(a) THE GROUP HAD THE FOLLOWING CAPITAL COMMITMENTS AT THE END OF THE REPORTING PERIOD:

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for:		
plant and machinery	199,268	297,210
Investment	10,000	–
	209,268	297,210

(b) The Group did not have any lease contracts that have not yet commenced as at 31 December 2023 and 2022.

(c) OTHER BUSINESS AGREEMENTS

The Company enters into collaboration agreements with companies to license intellectual property. The Company may be obligated to make future development, regulatory and commercial milestone payments and royalty payments on future sales of specified products associated with its collaboration agreements. Payment under these agreements generally become due and payable upon achievement of such milestones or sales. These commitments are not recorded in the consolidated financial statements because the achievement and timing of these milestones are not fixed and determinable. When the achievement of these milestones or sales has been reached, the corresponding amounts are recognised in the consolidated financial statements.

36. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any contingent liabilities.

37. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following companies are related parties that have material transactions or balances with the Group during the year.

(a) NAME AND RELATIONSHIPS OF THE RELATED PARTIES

Name	Relationship with the Group
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (“上海復星醫藥(集團)股份有限公司”) (“Fosun Pharma”)	Ultimate parent company
Shanghai Clone High Technology Co., Ltd.* (“上海克隆生物高技術有限公司”) (“Clone High Tech”)	Fellow subsidiary
Shanghai Kaimao Bio-Pharmaceutical Co., Ltd.* (“上海凱茂生物醫藥有限公司”) (“Kai Mao Bio-pharma”)	Fellow subsidiary
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.* (“上海復星醫藥產業發展有限公司”) (“Fosun Pharma Industrial Development”)	Fellow subsidiary
Jiangsu Wanbang Pharmaceutical Limited Company* (“江蘇萬邦生化醫藥集團有限責任公司”) (“Jiangsu Wanbang”)	Fellow subsidiary
Fosun Pharmaceutical Distribution (Jiangsu) Co., Ltd.* (“江蘇復星醫藥銷售有限公司”) (“Jiangsu Fosun”)	Fellow subsidiary
Fosun Pharma USA Inc (“Fosun USA”)	Fellow subsidiary
Shanghai Bohao Laboratory Co., Ltd.* (“上海伯豪醫學檢驗所有限公司”) (“Shanghai Bohao”)	Fellow subsidiary
Shanghai Old Temple Gold Co., Ltd.* (“上海老廟黃金有限公司”) (“Old Temple Gold”)	Fellow subsidiary
Suzhou Otovia Therapeutics Biotechnology Co., Ltd.* (“蘇州星奧拓維生物技術有限公司”) (“Suzhou Otovia Therapeutics”)	Fellow subsidiary
Zhejiang Xinghao Pengbo Pharmaceutical Co., Ltd.* (“浙江星浩澎博醫藥有限公司”) (“Zhejiang Xinghao Pengbo”)	Fellow subsidiary
Fosun Health Technology (Jiangsu) Co., Ltd.* (“復星健康科技(江蘇)有限公司”) (“Fosun Health”)	Fellow subsidiary
Fosun Diagnostics (Shanghai) Co., Ltd.* (“復星診斷科技(上海)有限公司”) (“Fosun Diagnostics”)	Fellow subsidiary
Shanghai Fukun Pharmaceutical Technology Development Co., Ltd.* (“上海複坤醫藥科技發展有限公司”) (“Shanghai Fukun”)	Fellow subsidiary
Shanghai Xingfu Enterprise Management Consulting Co., Ltd.* (“上海星服企業管理諮詢有限公司”) (“Shanghai Xingfu”)	Fellow subsidiary
Hainan Fosun Trade Co., Ltd.* (“海南復星商社貿易有限公司”) (“Fosun Trade”)	Fellow subsidiary
Shanghai Yunji Information Technology Co., Ltd.* (“上海雲濟信息科技有限公司”) (“Shanghai Yunji”)	Fellow subsidiary
Shanghai Yimi Information Technology Co., Ltd. (“上海醫米信息技術有限公司”) (“Shanghai Yimi”)	Significant influenced by the ultimate controlling shareholder
Shanghai Club Med Travel Service Co., Ltd.* (“上海客美德假期旅行社有限公司”) (“Shanghai Club Med”)	Fellow subsidiary
Shanghai Zilamai Trading Co., Ltd. * (“上海滋叻美貿易有限公司”) (“Shanghai Zilamai”)	Fellow subsidiary

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) NAME AND RELATIONSHIPS OF THE RELATED PARTIES *(CONTINUED)*

Name	Relationship with the Group
Shanghai Golte Property Management Co., Ltd.* ("上海高地物業管理有限公司") ("Shanghai Golte Property")	Fellow subsidiary
Chengdu Forte Real Estate Co., Ltd.* ("成都復地置業有限公司") ("Chengdu Forte")	Fellow subsidiary
Shanghai Fosun High Tech Group Finance Co., Ltd. * ("上海復星高科技集團財務有限公司") ("Shanghai Fosun Finance")	Fellow subsidiary
Starmab Biotechnology (Shanghai) Co., Ltd.* ("星濟生物(上海)有限公司") ("Starmab Biotechnology")	Fellow subsidiary
Sinopharm Group Co., Ltd. and its subsidiaries ("國藥控股股份有限公司"及其子公司) ("Sinopharm")	Associate of the ultimate parent company
Chongqing Pharmaceutical (Group) Co., Ltd. and its subsidiaries ("重慶醫藥(集團)股份有限公司"及其子公司) ("Chongqing Pharma")**	Other related companies

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

** Chongqing Pharma was an associate of the Group before December 2022 and was included in other related companies of the Group from December 2022.

(b) TRANSACTIONS WITH RELATED PARTIES

	Notes	2023 RMB'000	2022 RMB'000
Licensing revenue to related parties			
Fosun Pharma Industrial Development	(i)	**21,926**	20,870
Jiangsu Wanbang	(i)	**–**	2,605
		21,926	23,475
Services provided to related parties			
Fosun Pharma Industrial Development	(ii)	**194,508**	41,485
Suzhou Otovia Therapeutics	(ii)	**473**	329
Jiangsu Fosun	(ii)	**341**	1,285
Zhejiang Xinghao Pengbo	(ii)	**–**	5,614
		195,322	48,713
Sales of goods to related parties			
Sinopharm	(iii),(v)	**1,932,171**	1,000,669
Jiangsu Fosun	(iii),(v)	**551,727**	581,622
Chongqing Pharma	(iii),(v)	**89,753**	55,574
		2,573,651	1,637,865

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

	Notes	2023 RMB'000	2022 RMB'000
Services purchased from related parties			
Jiangsu Fosun	(iv),(v)	**30,753**	19,227
Shanghai Yunji	(iv),(v)	**1,706**	901
Shanghai Golte Property	(iv),(v)	**1,638**	–
Old Temple Gold	(iv),(v)	**1,463**	–
Fosun Pharma	(iv),(v)	**851**	17
Fosun Health	(iv),(v)	**624**	753
Kai Mao Bio-pharma	(iv)	**617**	498
Clone High Tech	(iv)	**555**	201
Shanghai Xingfu	(iv)	**211**	229
Fosun Diagnostics	(iv),(v)	**90**	659
Sinopharm	(iv),(v)	**33**	314
Shanghai Bohao	(iv)	**9**	575
Shanghai Club Med	(iv)	**–**	97
Shanghai Zilamai	(iv),(v)	**–**	88
Others	(iv),(v)	**390**	563
		38,940	24,122
Purchases of materials from			
Sinopharm	(iv),(v)	**1,065**	2,041
Purchases of right-of-use assets from			
Clone High Tech	(iv),(v)	**18,100**	14,857
Shanghai Fukun	(iv),(v)	**949**	16,640
Chengdu Forte	(iv),(v)	**368**	–
		19,417	31,497
Purchases of fixed assets from			
Shanghai Yunji	(iv)	**880**	2,549
Sinopharm	(iv)	**–**	4,385
		880	6,934
Purchases of intangible assets from			
Shanghai Yunji	(iv)	**1,255**	75
Fosun Pharma	(iv)	**–**	1,811
		1,255	1,886
Deposits in related parties			
Shanghai Fosun Finance	(v),(vi)	**193,000**	–
Interest income			
Shanghai Fosun Finance	(vi)	**1,826**	–

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

Notes:

(i) The Group granted exclusive licences of the Group's certain biopharmaceutical products in the PRC to related parties after the Group obtains the market distribution authorisation of such products from government authorities. The Group received advance payments from the customers accordingly. The licensing revenue is recognised over the commercialisation period. The transactions were carried out in accordance with the terms and conditions similar to those offered to unrelated customers in the ordinary course of business.

(ii) The research and development services provided to related parties were carried out in accordance with the terms and conditions similar to those offered to unrelated customers in the ordinary course of business.

(iii) The sale of biopharmaceutical products to related parties were carried out in accordance with the terms and conditions similar to those offered to unrelated customers in the ordinary course of business.

(iv) The purchases and rental services from related parties were charged in accordance with the terms and conditions offered by the related parties to their unrelated customers.

(v) The related party transactions in respect of the sale of goods to Jiangsu Fosun and Sinopharm, services purchased from Shanghai Fosun High Technology (Group) Co., Ltd. and Sinopharm, purchase of materials from Sinopharm and purchase of right-of-use assets from Clone High Tech and Shanghai Fukun also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Group confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of these transactions.

(vi) Shanghai Fosun High Technology Group Finance Co., Ltd., a fellow subsidiary of the Group, provides deposit services to subsidiaries of the Group, and the maturity date is from March 2024 to May 2024. The applicable interest rates were determined in accordance with the prevailing market rates and the transactions were carried out in accordance with normal commercial terms.

(c) OUTSTANDING BALANCES WITH RELATED PARTIES

	Notes	2023 RMB'000	2022 RMB'000
Amounts due from related parties			
Trade receivables			
Sinopharm	(i)	**232,998**	132,724
Jiangsu Fosun	(i)	**92,732**	35,397
Chongqing Pharma	(i)	**11,409**	5,096
Fosun Pharma Industrial Development	(i)	**9,525**	6,511
		346,664	179,728

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) OUTSTANDING BALANCES WITH RELATED PARTIES *(CONTINUED)*

	Notes	2023 RMB'000	2022 RMB'000
Prepayments, other receivables and other assets			
Clone High Tech	(ii)	**2,706**	–
Shanghai Fukun	(ii)	**1,125**	1,125
Fosun Pharma	(ii)	**233**	–
Fosun Diagnostics	(ii)	**–**	90
Sinopharm	(ii)	**–**	21
Others	(ii)	**108**	–
		4,172	1,236
Other non-current assets			
Fosun Trade	(ii)	**12**	–
Shanghai Yunji	(ii)	**–**	115
		12	115
Amounts due to related parties			
Trade payables			
Kai Mao Bio-pharma	(iii)	**109**	–
Sinopharm	(iii)	**85**	380
Zhejiang Xinghao Pengbo	(iii)	**–**	49
		194	429
Other payables, accruals and other current liabilities			
Jiangsu Fosun	(iv)	**25,588**	16,889
Clone High Tech	(iv)	**2,210**	1,969
Shanghai Yunji	(iv)	**1,107**	753
Shanghai Golte Property	(iv)	**474**	–
Fosun Trade	(iv)	**412**	–
Shanghai Xingfu	(iv)	**211**	229
Shanghai Fukun	(iv)	**97**	–
Fosun Pharma	(iv)	**–**	3,526
Sinopharm	(iv)	**–**	969
Shanghai Yimi	(iv)	**–**	875
Shanghai Bohao	(iv)	**–**	578
Fosun Health	(iv)	**–**	173
Kai Mao Bio-pharma	(iv)	**–**	49
Others	(iv)	**293**	154
		30,392	26,164
Other long-term payable			
Fosun Pharma Industrial Development	(vii)	**125,786**	235,849

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) OUTSTANDING BALANCES WITH RELATED PARTIES *(CONTINUED)*

	Notes	2023 RMB'000	2022 RMB'000
Lease liabilities			
Clone High Tech	(v)	**94,786**	116,809
Shanghai Fukun	(v)	**9,292**	14,425
Chengdu Forte	(v)	**240**	–
		104,318	131,234
Contract liabilities			
Fosun Pharma Industrial Development	(vi)	**789,199**	357,183
Jiangsu Wanbang	(vi)	**82,286**	82,286
Sinopharm	(vi)	**98,352**	56,509
Chongqing Pharma	(vi)	**6,096**	4,670
Starmab Biotechnology	(vi)	**255**	–
Suzhou Otovia Therapeutics	(vi)	**107**	360
Jiangsu Fosun	(vi)	**–**	179
		976,295	501,187

Notes:

(i) The amounts due from related parties in the trade receivables were trade in nature, unsecured, interest-free and repayable within 90 days.

(ii) The amounts due from related parties in the prepayments, deposits, other receivables and other non-current assets were trade in nature, unsecured, interest-free and have no fixed terms of repayment.

(iii) The amounts due to related parties in trade payables were trade in nature, unsecured, interest-free and repayable. The outstanding balances were repayable within 90 days.

(iv) The amounts due to related parties in other payables and accruals were unsecured, interest-free and have no fixed terms of repayment.

(v) The Company rented plant and machinery from Clone High Tech, Shanghai Fukun and Chengdu Forte, and recognised the corresponding lease liabilities. The maturity profile of the lease liabilities due to Clone High Tech, Shanghai Fukun and Chengdu Forte as at 31 December 2023 is as follows:

	2023 RMB'000	2022 RMB'000
Within one year	**58,792**	46,558
In the second year	**31,236**	48,925
In the third to fifth years, inclusive	**14,290**	35,751
	104,318	131,234

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) OUTSTANDING BALANCES WITH RELATED PARTIES *(CONTINUED)*

(vi) The amounts due to related parties in contract liabilities were the advance payments of the License for certain biopharmaceutical products. These amounts are trade in nature, unsecured and with interest recognised which represented the significant financing component in the revenue contract.

(vii) The amount represents the payable relating to the license out contract. For details please refer to note 27 to the financial statements.

(d) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	2023 RMB'000	2022 RMB'000
Fees	1,084	1,032
Other emoluments:		
Salaries, allowances and benefits in kind	47,927	39,464
Performance related bonuses	11,139	9,821
Share award scheme	2,159	10,216
Total compensation paid to key management personnel	62,309	60,533

Further details of directors', supervisors' and chief executives' remuneration are included in note 9 to the financial statements.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period of the Group are as follows:

FINANCIAL ASSETS AT AMORTISED COST

	2023 RMB'000	2022 RMB'000
Trade receivables	647,828	455,509
Financial assets included in prepayments, deposits and other receivables	21,695	191,581
Other non-current assets	15,599	–
Cash and bank balances	987,665	680,478
	1,672,787	1,327,568

FINANCIAL LIABILITIES AT AMORTISED COST

	2023 RMB'000	2022 RMB'000
Trade payables	544,815	713,552
Financial liabilities included in other payables and accruals	195,096	318,807
Other long-term payables	125,786	235,849
Interest-bearing bank and other borrowings	4,093,051	3,677,095
	4,958,748	4,945,303

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts 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	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings (non-current portion) (other than lease liabilities)	**1,106,219**	975,293	**1,099,434**	965,952

Management has assessed that the fair values of cash and bank balances, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at the end of the reporting period was assessed to be insignificant.

FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings (non-current portion) (other than lease liabilities)	–	**1,099,434**	–	**1,099,434**

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

FAIR VALUE HIERARCHY *(CONTINUED)*

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings (non-current portion) (other than lease liabilities)	–	965,952	–	965,952

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank balances, and interest-bearing bank and other borrowings. 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 receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group does not use derivative financial instruments to hedge its interest rate risk. At 31 December 2023, approximately 60% (2022: 64%) of the Group's interest-bearing bank and other borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in equity RMB'000
Year ended 31 December 2023		
RMB	**25**	**(3,800)**
RMB	**(25)**	**3,800**
Year ended 31 December 2022		
RMB	25	(3,067)
RMB	(25)	3,067

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

FOREIGN CURRENCY RISK

The Group has transactional currency exposures. Such exposures arise from activities by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD, EUR and New Taiwan Dollar ("NTD") exchange rates, with all other variables held constant, of the Group's profit or loss before tax and the Group's equity due to changes arising on fair values of monetary assets and liabilities.

	Increase/ (decrease) in USD rate %	Increase/ (decrease) in equity RMB'000
Year ended 31 December 2023		
If the RMB weakens against the USD	**5**	**10,356**
If the RMB strengthens against the USD	**(5)**	**(10,356)**
If the NTD weakens against the USD	**5**	**740**
If the NTD strengthens against the USD	**(5)**	**(740)**
If the RMB weakens against the EUR	**5**	**(92)**
If the RMB strengthens against the EUR	**(5)**	**92**
Year ended 31 December 2022		
If the RMB weakens against the USD	5	10,793
If the RMB strengthens against the USD	(5)	(10,793)
If the NTD weakens against the USD	5	706
If the NTD strengthens against the USD	(5)	(706)
If the RMB weakens against the EUR	5	(888)
If the RMB strengthens against the EUR	(5)	888

CREDIT RISK

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

MAXIMUM EXPOSURE AND YEAR-END STAGING

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

CREDIT RISK *(CONTINUED)*

MAXIMUM EXPOSURE AND YEAR-END STAGING *(CONTINUED)*

As at 31 December 2023

	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Stage 2 RMB'000	Lifetime ECLs Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	663,957	663,957
Contract assets*	–	–	–	82,419	82,419
Financial assets included in prepayments, deposits and other receivables					
– Normal**	21,695	–	–	–	21,695
– Doubtful**	–	–	470,015	–	470,015
Other non-current assets	15,599	–	–	–	15,599
Cash and bank balance					
– Not yet past due	987,665	–	–	–	987,665

As at 31 December 2022

	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Stage 2 RMB'000	Lifetime ECLs Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	462,607	462,607
Financial assets included in prepayments, deposits and other receivables					
– Normal**	31,395	–	–	–	31,395
– Doubtful**	–	–	601,470	–	601,470
Cash and bank balance					
– Not yet past due	680,476	–	–	–	680,476

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 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 receivables are disclosed in note 19 to the financial statements.

At the end of the reporting period, the Group had certain concentrations of credit risk as 8% (2022: 17%) and 21% (2022: 47%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

LIQUIDITY RISK

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2023

	On demand or within one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
Trade payables	544,815	–	–	544,815
Financial liabilities included in other payables and accruals	195,096	–	–	195,096
Other long-term payables	–	125,786	–	125,786
Lease liabilities	96,079	186,484	18,695	301,258
Interest-bearing bank and other borrowings (excluding lease liabilities)	2,758,554	1,053,413	194,997	4,006,964
	3,594,544	1,365,683	213,692	5,173,919

31 December 2022

	On demand or within one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
Trade payables	713,552	–	–	713,552
Financial liabilities included in other payables and accruals	318,807	–	–	318,807
Other long-term payables	–	–	235,849	235,849
Lease liabilities	92,690	165,252	35,229	293,171
Interest-bearing bank and other borrowings (excluding lease liabilities)	2,481,050	808,029	322,478	3,611,557
	3,606,099	973,281	593,556	5,172,936

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

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 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 payments 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 net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2023 RMB'000	2022 RMB'000
Interest-bearing bank and other borrowings (note 26)	**4,093,051**	3,677,095
Less: Cash and cash equivalents	**867,663**	673,476
Net debt	**3,225,388**	3,003,619
Equity attributable to owners of the parent	**2,192,301**	1,636,332
Capital and net debt	**5,417,689**	4,639,951
Gearing ratio	**60%**	65%

41. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of these financial statements, there have been no significant events after the end of the reporting period.

42. COMPARATIVE AMOUNTS

As further explained in note 20 to the financial statements, certain amounts have been reclassified which include i) in the consolidated statement of financial position as at 31 December 2022, the financial assets at fair value through profit or loss amounting to RMB160,186,000 as at 31 December 2022 were reclassified to prepayments, deposits and other receivables, representing an amount due from AMTD amounting to RMB601,470,000, net of impairment allowance for the expected credit loss in connection with due from AMTD amounting to RMB441,284,000; ii) in the consolidated statement of profit and loss for the year ended 31 December 2022, a loss on fair value adjustment of financial assets at fair value through profit or loss of RMB199,153,000 recorded in other expenses were reclassified to impairment losses on financial assets; and iii) in the consolidated statement of cash flow for the year ended 31 December 2022, "Changes in restricted cash for investments" amounting to RMB550,610,000 and "Purchase of investment measured at fair value through profit or loss" amounting to RMB550,610,000 were eliminated.

43. 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 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**181,869**	228,381
Intangible assets	**2,526,535**	3,139,307
Investments in subsidiaries	**2,940,893**	1,717,115
Right-of-use assets	**37,338**	51,097
Other non-current assets	**15,063**	10,082
Total non-current assets	**5,701,698**	5,145,982
CURRENT ASSETS		
Trade receivables	**1,946,457**	891,311
Contract assets	**82,419**	–
Prepayments, deposits and other receivables	**516,310**	390,364
Inventories	**1,909**	155
Cash and bank balances	**670,316**	394,151
Total current assets	**3,217,411**	1,675,981
CURRENT LIABILITIES		
Trade payables	**718,816**	598,482
Other payables and accruals	**1,402,179**	639,764
Contract liabilities	**300,432**	189,445
Interest-bearing bank and other borrowings	**1,282,964**	1,305,303
Total current liabilities	**3,704,391**	2,732,994
NET CURRENT LIABILITIES	**(486,980)**	(1,057,013)
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,214,718**	4,088,969
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**27,200**	64,787
Other long-term payables	**151,676**	275,477
Contract liabilities	**801,650**	486,756
Deferred income	**77,384**	71,155
Total non-current liabilities	**1,057,910**	898,175
Net assets	**4,156,808**	3,190,794
EQUITY		
Share capital	**543,495**	543,495
Reserves (Note)	**3,613,313**	2,647,299
Total equity	**4,156,808**	3,190,794

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2022	6,009,592	28,333	(2,752,696)	3,285,229
Loss for the year	–	–	(676,762)	(676,762)
The vesting of restricted shares (note 32)	42,165	(16,554)	–	25,611
Equity-settled share-based payments (note 32)	–	13,221	–	13,221
At 31 December 2022 and 1 January 2023	**6,051,757**	**25,000**	**(3,429,458)**	**2,647,299**
Profit for the year	**–**	**–**	**956,081**	**956,081**
The vesting of restricted shares (note 32)	**17,627**	**(10,321)**	**–**	**7,306**
Equity-settled share-based payments (note 32)	**–**	**2,627**	**–**	**2,627**
At 31 December 2023	**6,069,384**	**17,306**	**(2,473,377)**	**3,613,313**

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on 21 March 2024.

In this annual report, the following expressions have the meanings set out below unless the context requires otherwise.

"2018 Share Award Scheme"	the share award scheme adopted pursuant to the original operating procedure of the employee equity incentive scheme signed in April 2018
"2020 Share Award Scheme"	the share award scheme proposed to be adopted pursuant to the operating procedure of the 2020 employee equity incentive scheme
"A Share(s)"	RMB ordinary share(s) proposed to be issued by the Company pursuant to the A Share Offering
"A Share Offering"	the Company's proposed initial public offering of A Shares, which are proposed to be listed on the Science and Technology Innovation Board of Shanghai Stock Exchange
"A Share Offering and Listing"	the Company's proposed initial public offering of A Shares, and the listing of such Shares on the Science and Technology Innovation Board of Shanghai Stock Exchange
"Accord"	Accord Healthcare Limited
"AMTD"or "Investment Manager"	AMTD Global Markets Limited (now renamed as orientiert XYZ Securities Limited)
"Articles of Association"	the articles of association of the Company
"Aton Ruilin"	Aton (Shanghai) Biotech Co., Ltd.* (安騰瑞霖(上海)生物科技有限公司), a wholly-owned subsidiary of the Company
"Baodao Pharmaceutical"	Baodao Pharmaceutical Co., Ltd.
"Board"	the board of directors of the Company
"Cayman Henlius"	Henlius Biopharmaceuticals, Inc., a company established in Cayman Islands on 23 February 2009, and a substantial shareholder
"CG Code"	Corporate Governance Code contained in Appendix C1 to the Listing Rules
"Clinical Trial Research Services Agreement"	the Clinical Trial Research Services Agreement dated 24 November 2022 entered into among the Company, Genuine Biotech and Fosun Pharma Industrial Development
"Clone High Tech"	Shanghai Clone High Technology Co., Ltd.* (上海克隆生物高技術有限公司), a limited liability company incorporated under the laws of the PRC and a wholly-owned subsidiary of Fosun Pharma
"Clone Property Leasing Framework Agreement"	the property leasing framework agreement dated 17 November 2022 entered into between the Company and Clone High Tech in relation to the leasing of the premises

DEFINITIONS

"Company" or "Henlius"	Shanghai Henlius Biotech, Inc., a joint stock company incorporated under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
"Company Law"	the Company Law of the PRC, as revised or supplemented from time to time
"CSCO"	Chinese Society of Clinical Oncology
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	Ordinary Shares issued by the Company in the PRC with a nominal value of RMB1.00 each, which are subscribed for and paid for in RMB
"EMA"	European Medicines Agency
"EU"	European Union
"FDA"	the United States Food and Drug Administration
"FHL"	Fosun Holdings Limited (復星控股有限公司), a company incorporated in Hong Kong on 18 February 2005 with limited liability, and a controlling shareholder
"FIHL"	Fosun International Holdings Ltd. (復星國際控股有限公司), a company incorporated in the British Virgin Islands on 9 September 2004 with limited liability, and a controlling shareholder
"Financial Services Agreement"	the financial services agreement dated 14 February 2023 entered into between the Company and Fosun Finance
"Fosun Finance"	Shanghai Fosun High Technology (Group) Finance Co., Ltd.* (上海復星高科技集團財務有限公司), a limited liability company established in the PRC, and a subsidiary of Fosun High Tech
"Fosun High Tech"	Shanghai Fosun High Technology (Group) Co., Ltd.* (上海復星高科技(集團)有限公司), a company incorporated in the PRC on 8 March 2005, and a controlling shareholder
"Fosun Industrial"	Fosun Industrial Co., Limited (復星實業(香港)有限公司), a company incorporated in Hong Kong on 22 September 2004 with limited liability
"Fosun International"	Fosun International Limited (復星國際有限公司), a company incorporated in Hong Kong on 24 December 2004 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, and a controlling shareholder
"Fosun New Medicine"	Shanghai Fosun New Medicine Research Company Limited (上海復星新藥研究有限公司), a company incorporated in the PRC on 12 September 2008 with limited liability, and a controlling shareholder
"Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, the H shares and A shares of which are listed and traded on the Main Board of the Stock Exchange and the Shanghai Stock Exchange, respectively, and a controlling shareholder
"Fosun Pharma Group"	Fosun Pharma and its subsidiaries

"Fosun Pharma Industrial Development"	Shanghai Fosun Pharmaceutical Industrial Development Company Limited (上海復星醫藥產業發展有限公司), a company incorporated in the PRC on 27 November 2001 with limited liability, a wholly-owned subsidiary of Fosun Pharma, and a controlling shareholder
"Fosun Pharma Industrial Technical Services Agreement"	the technical services agreement dated 16 March 2022 entered into between the Company and Fosun Pharma Industrial Development
"Framework Property Leasing Agreement"	the framework property leasing agreement dated 31 December 2019 entered into between the Company and Clone High Tech in relation to the leasing of the premises
"Fukun Pharmaceutical"	Shanghai Fukun Pharmaceutical Technology Development Co., Ltd.* (上海復坤醫藥科技發展有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Fosun Pharma
"Fukun Property Leasing Framework Agreement"	the property leasing framework agreement dated 17 November 2022 entered into between the Company and Fukun Pharmaceutical in relation to the leasing of the premises
"Genuine Biotech"	Henan Genuine Biotech Co., Ltd.* (河南真實生物科技有限公司), a company established in the PRC with limited liability
"Gland Pharma"	Gland Pharma Limited (stock code of Bombay Stock Exchange Limited and National Stock Exchange of India: GLAND)
"Global Offering"	the global offering comprises the Hong Kong public offering of 6,469,600 H Shares as well as the international offering of 58,225,800 H Shares initially available for subscription and 4,366,400 H Shares pursuant to the partial exercise of the over-allotment option
"GMP"	Good Manufacturing Practice of Medical Products
"Group", "we", "our" or "us"	the Company and its subsidiaries
"H Shares"	overseas listed foreign share(s) in the Company's ordinary share capital, with a nominal value of RMB1.00 each, which were listed on the Stock Exchange and traded in Hong Kong dollars
"HenLink"	HenLink, Inc., a company incorporated in the Cayman Islands on 15 August 2014 and a Shareholder whose beneficial owners are certain employees of the Group
"Henlius Biopharmaceuticals"	Shanghai Henlius Biopharmaceuticals Co., Ltd.* (上海復宏漢霖生物製藥有限公司), a wholly owned subsidiary of the Company
"HK$ or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HLX01 Agreement"	the cooperation agreement dated 18 September 2015 entered into with Fosun Pharma Industrial Development relating to cooperation arrangements for HLX01
"HLX03 Agreement"	the cooperation agreement dated 18 September 2017 entered into with Jiangsu Wanbang (Group) Biopharmaceutical Co., Ltd., a wholly-owned subsidiary of Fosun Pharma, relating to the cooperation arrangements for HLX03
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

"Hong Kong Stock Exchange" or the "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards
"IMA"	the investment management agreement dated on 25 September 2019 entered into between the Company and AMTD
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"Intas"	Intas Pharmaceuticals Limited, founded in 1976 and headquartered in India
"Jiangsu Fosun"	Jiangsu Fosun Pharmaceutical Sales Co., Ltd., a company incorporated in the PRC with limited liability, and a wholly owned subsidiary of Fosun Pharma
"Jiangsu Wanbang"	Jiangsu Wanbang (Group) Biopharmaceutical Co., Ltd., a company incorporated in the PRC with limited liability, and a wholly owned subsidiary of Fosun Pharma
"Latest Practicable Date"	10 April 2024, being the latest practicable date for ascertaining the contents set out in this report prior to printing
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Date"	25 September 2019, being the date on which the H Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MAA"	marketing authorisation application
"mAb"	monoclonal antibodies
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules
"NDA"	new drug application
"NMPA"	the National Medical Products Administration of the PRC
"PRC", "China" or "Mainland China"	the People's Republic of China, but for the purposes of this annual report only, except where the context requires, references in this annual report to PRC, China or Mainland China exclude Hong Kong, Macau and Taiwan Regions
"Promotional Services Agreement"	the agreement entered into by Henlius Biopharmaceuticals and Jiangsu Fosun on 24 August 2020 in relation to the provision of promotional services by Jiangsu Fosun to the Group, as amended by a supplemental agreement on 31 December 2020, 30 June 2022 and 29 December 2023

"Property Leasing Framework Agreements"	the Clone Property Leasing Framework Agreement and the Fukun Property Leasing Framework Agreement
"Prospectus"	the prospectus issued by the Company on 12 September 2019 in connection with the Global Offering
"R&D"	research and development
"Reporting Period"	the year ended 31 December 2023
"Restricted Interest"	the interests held by the Resigned 2018 Participants in Shanghai Guoyun or HenLink (as the case may be) that remain subject to the transfer restrictions under the 2018 Share Award Scheme
"RMB"	Renminbi, the lawful currency of the PRC
"Rules of Procedures of the Board of Supervisors"	the rules of procedures of the Board of Supervisors of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Guoyun"	Shanghai Guoyun Biotech Partnership Enterprise (Limited Partnership)* (上海果運生物技術合夥企業(有限合夥)), a company incorporated in the PRC on 9 August 2017 and a Shareholder whose beneficial owners are certain employees of the Group
"Share(s)"	ordinary shares with nominal value of RMB1.00 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Sinopharm"	Sinopharm Group Co. Ltd.*, (國藥控股股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed and traded on the Stock Exchange
"Sinopharm Distribution Framework Agreement"	the distribution framework agreement dated 24 April 2020 entered into between the Company and Sinopharm relating to the sales of self-owned products (except for HANLIKANG and HANDAYUAN)

"Sinopharm Group"	Sinopharm and its subsidiaries
"Sinopharm Industrial Investment"	Sinopharm Industrial Investment Co. Ltd.*, (國藥產業投資有限公司), a company incorporated in the PRC on 5 June 2008 and the controlling shareholder of Sinopharm
"Sinopharm Procurement Framework Agreement"	the procurement framework agreement dated 24 April 2020 entered into between the Company and Sinopharm relating to the procurement of (i) warehousing and logistic services and (ii) raw materials by the Group from Sinopharm Group
"Songjiang First Plant"	the Company's manufacturing facility at Guangfu Lin Road of the Songjiang District of Shanghai
"Songjiang Second Plant"	Henlius Biotech Biopharmaceutical Industrialization Base II, the Company's manufacturing facility with total planned area of 200 acres currently under construction in the Songjiang District of Shanghai
"Supervisor(s)"	the supervisors(s) of the Company
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"USD"	U.S. Dollars, the lawful currency of the U.S.
"Xuhui Facility"	the Company's manufacturing facility at Yishan Road of the Xuhui District of Shanghai

In this annual report, if there is any inconsistency between the Chinese names of the entities, authorities, organisations, institutions, or enterprises established in China or the awards or certificate given in China and their English translations, the Chinese version shall prevail.

* *For identification only*