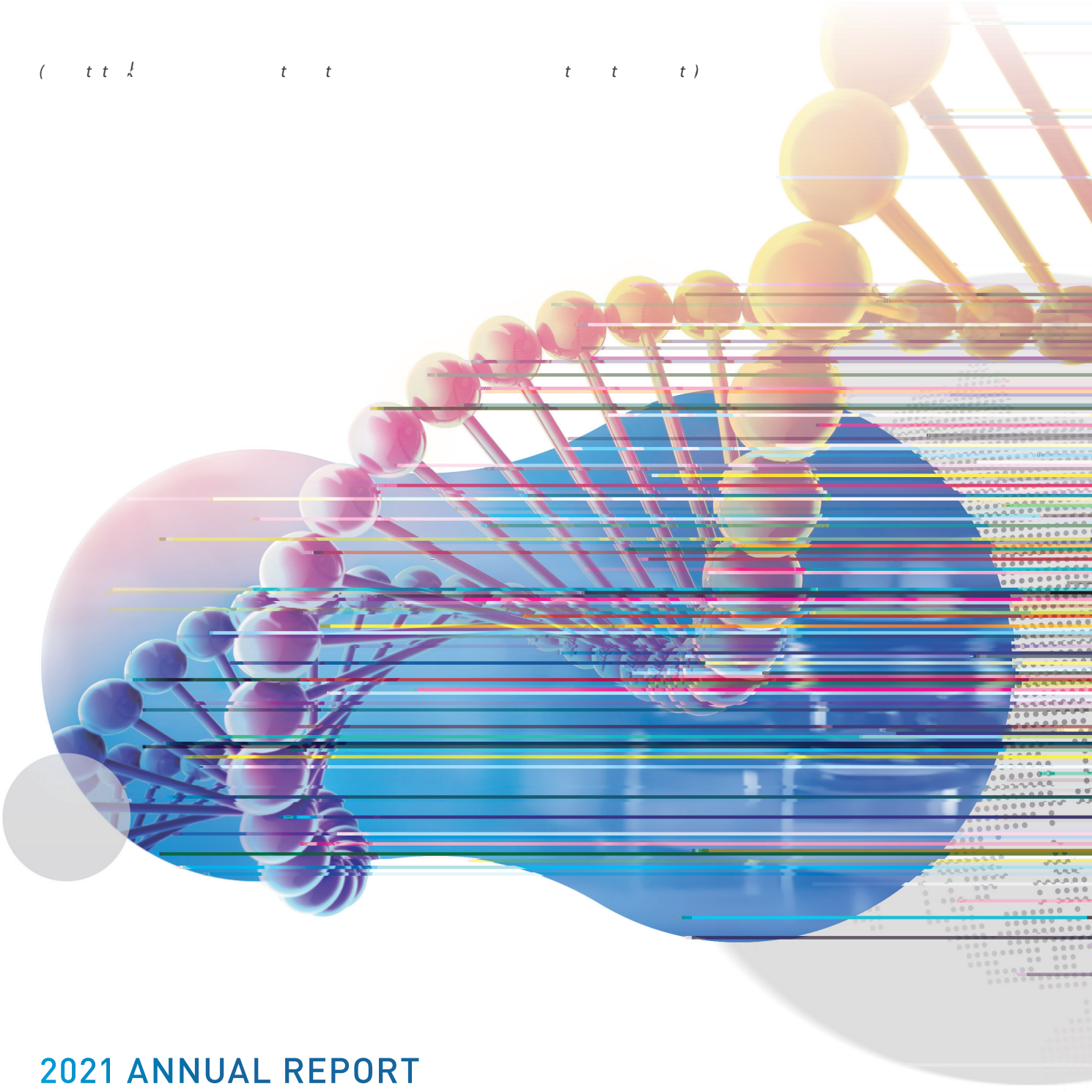


2021 ANNUAL REPORT

RELIABLE QUALITY AFFORDABLE INNOVATION



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RELIABLE QUALITY **AFFORDABLE** INNOVATION

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CORPORATE INFORMATION

DIRECTORS

Executive director

Wenjie Zhang *(Chairman and Chief Executive Officer)*[1]

Non-executive directors

Qiyu Chen (陳啟宇)[2]
Yifang Wu (吳以芳)
Xiaohui Guan (關曉暉)
Aimin Hui
Zihou Yan (晏子厚)

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)
Junhong Liu (劉俊宏)

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)*[1]
Guoping Zhao (趙國屏)
Ruilin Song (宋瑞霖)
Qiyu Chen (陳啟宇)[2]

REMUNERATION COMMITTEE

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

STRATEGY COMMITTEE

Wenjie Zhang *(Chairman)*[1]
Qiyu Chen (陳啟宇)[2]
Yifang Wu (吳以芳)
Aimin Hui
Zihou Yan (晏子厚)
Tak Young So (蘇德揚)
Ruilin Song (宋瑞霖)

Notes:

1. Mr. Wenjie Zhang was appointed as the chairman of the Board, the chairman of the Nomination Committee and the chairman of the Strategy Committee on 30 November 2021.
2. Mr. Qiyu Chen resigned as the chairman of the Board, the chairman of the Strategy Committee and the chairman of the Nomination Committee on 30 November 2021 and continues to serve as a non-executive director and a member of the Strategy Committee.

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
Zihou Yan (晏子厚)

JOINT COMPANY SECRETARIES

Yan Wang (王燕)[3]
Ching Ching Leung (梁晶晶) *(Fellow of the Hong Kong Chartered Governance Institute)*
Xinjun Guo (郭新軍)[4]

AUTHORISED REPRESENTATIVES

Wenjie Zhang
Ching Ching Leung (梁晶晶)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

9F, Innov Tower (Capitaland Building)
1801 Hongmei Road
Xuhui District
Shanghai
PRC

REGISTERED OFFICE IN CHINA

Room 330, Complex Building
No. 222, Kangnan Road
China (Shanghai) Pilot Free Trade Zone
PRC[5]

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

H SHARES REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
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:
Freshfields Bruckhaus Deringer
55th Floor, One Island East
Taikoo Place, Quarry Bay
Hong Kong

As to PRC law:
Llinks Law Offices
19/F, One Lujiazui
No. 68 Yin Cheng Road Middle
Shanghai
PRC

STOCK SHORT NAME

HENLIUS[6]

STOCK CODE

2696

COMPANY WEBSITE

www.henlius.com

Notes:

3. Ms. Yan Wang was appointed as the secretary to the Board and a joint company secretary on 5 November 2021.
4. Mr. Xinjun Guo resigned as the secretary to the Board and a joint company secretary on 5 November 2021.
5. Took effect upon approval by the 2021 First Extraordinary General Meeting held on 27 July 2021.
6. Took effect from 23 April 2021.

CHAIRMAN'S STATEMENT

Dear Shareholders, 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 2021.

We made significant progress on our innovation agenda and saw great progress in R&D, manufacturing and commercialization in 2021. Along the journey of benefiting patients worldwide with high-quality biologics, we stayed true to our original aspiration, and made unremitting efforts. With the successive launching of HANBEITAI (bevacizumab), the new indication rheumatoid arthritis (RA) of HANLIKANG (rituximab) and PD-1 inhibitor HANSIZHUANG (serplulimab), we now have 5 products launched in China, 1 in Europe and 13 indications approved around the globe. 1 New Drug Application (NDA) was accepted for review by the NMPA. Up to date, we have benefited as many as over 170,000 patients worldwide.

We continue to unleash innovation potential by enhancing in-house capabilities and strengthening collaboration on external innovative assets. With serplulimab as the backbone, we carry out a total of 9 immuno-oncology combination clinical trials in the countries and regions including China, Turkey, Poland, Georgia, etc., covering a wide variety of indications including lung cancer, esophageal carcinoma, head and neck squamous cell carcinoma, gastric cancer, etc. The international multi-center Phase 3 study of serplulimab in previously untreated extensive small-cell lung cancer (ES-SCLC) reached the primary endpoint, potentially making serplulimab the first anti-PD-1 mAb for first-line treatment of SCLC in the world. With the close synergy between Shanghai and US Innovation Center, we gather pace in building our pipeline. In 2021, we saw robust clinical progress in 12 projects and received multiple clinical approvals on 6 candidates and 1 combination therapy worldwide, covering innovative targets such as 4-1BB, LAG-3, TIGIT, CD73, etc. Looking forward, we will advance "antibody-centric"

We continue to maximize commercial value of core assets. The domestic commercialization of HANQUYOU (Zercepac® in Europe), the first Chinese mAb biosimilar approved in both China and Europe, is in the charge of our in-house commercial team. In 2021, we saw its robust growth in Chinese market. With the approval for the dual dosage form of 60mg/vial and 150mg/vial, we stand greater chance to reach more patients. In the overseas market, Zercepac® has been launched in nearly 20 European countries and regions including the United Kingdom, Germany, France, etc, with out-licensing covering more than 80 markets worldwide. In 2021, we continued to build up a stable and highly-efficient commercial team united by trust. We centered on patients and focused on marketing efficiency, as part of our efforts to realize a sound and sustainable development. While building HANQUYOU team, we have also established Immune-Oncology Business Unit at the beginning of 2022, getting us well positioned for the advent of HANSIZHUANG. With its successful launch, the team will gear up for its market penetration and facilitate higher patient access. Meanwhile, we expand the label for launched products. With the approval of HANLIKANG for the treatment of RA, HANLIKANG has become the rituximab with the largest number of approved indications in China, providing an alternative treatment option for patients with autoimmune diseases.

We delivered solid results in 2021. Looking beyond, we remain on a rapid growth trajectory with determination and move forward along the evolution from a Biotech company to a Biopharma by diversifying innovation through strategic collaboration and in-house innovation, globalizing manufacturing and quality system, localizing supply chain, and by maximizing the commercial value of late-stage assets. We will continue to extend the breadth of our value chain and refuel our momentum for development. Our heartfelt gratitude goes to shareholders and all walks of life for their great support and trust all along. There is no shortcut to follow but unrelenting efforts to pay

I. FINANCIAL SUMMARY

For the Year Ended 31 December 2021

	2021 RMB' 000	2020 RMB' 000
Revenue	**1,682,472**	587,586
Cost of sales	**(522,748)**	(182,119)
Gross profit	**1,159,724**	405,467
Other income and gains	**45,091**	43,737
Selling and distribution expenses	**(520,261)**	(243,648)
Administrative expenses	**(280,606)**	(192,640)
Impairment losses on financial assets, net	**(174)**	14
Research and development expenses	**(1,023,930)**	(894,144)
Other expenses	**(251,763)**	(68,622)
Financial costs	**(84,820)**	(43,705)
Loss before tax	**(956,739)**	(993,541)
Income tax expense	**(27,313)**	–
Loss for the year	**(984,052)**	(993,541)

Total revenue was approximately RMB1,682.5 million for the year ended 31 December 2021, as compared to approximately RMB587.6 million for the year ended 31 December 2020. For the year ended 31 December 2021, such revenue was primarily from drug sales, R&D services provided to customers, and licence income.

Expensed R&D expenses increased by approximately RMB129.8 million to approximately RMB1,023.9 million for the year ended 31 December 2021, compared to approximately RMB894.1 million for the year ended 31 December 2020, primarily due to the other clinical trials of innovative drug candidates.

Selling, marketing and business development expenses were approximately RMB520.3 million for the year ended 31 December 2021, primarily due to the expansion of our sales and marketing capacity and activities in preparation for the drug candidates.

Total loss decreased by approximately RMB9.4 million to approximately RMB984.1 million for the year ended 31 December 2021, compared to approximately RMB993.5 million for the year ended 31 December 2020, primarily due to the higher sales volume of core products and more and continuous investment into research and development.

II. FIVE YEARS' FINANCIAL SUMMARY

Results

	2021	2020	2019	2018	2017
			RMB' 000		
Revenue	**1,682,472**	587,586	90,929	7,421	33,910
Loss before tax	**(956,739)**	(993,541)	(874,810)	(0 8Bs/TBTc6ax	

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HANQUYOU (trastuzumab injection, EU brand name: Zercepac®):

- HANQUYOU (150mg)：completed the tendering process on the procurement platform and was included into the medical insurance procurement platform for all provinces in Mainland China in the first half of 2021.
- HANQUYOU (60mg): completed the tendering process on the procurement platform in 25 provinces and was included into the medical insurance procurement platform in 31 provinces in Mainland China.
- Zercepac®: following 150mg obtaining marketing approval in the EU in July 2020, Zercepac® 60mg and 420mg were approved for marketing in the EU in April 2021 and June 2021 respectively; in July 2021, the Swissmedic approved the new drug application of Zercepac® (150mg).

2

3

4

5

6 Business Expansion:

- After the signing of the binding term sheet with Accord Healthcare Inc. in September 2020, the Group entered into a formal agreement with Intas, the parent company of Accord Healthcare Inc., in January 2021, pursuant to which, the Group agreed to grant a license to Intas for the development and commercialization of HANQUYOU (trastuzumab injection, EU brand name: Zercepac®) in the United States and Canada.

- In January 2021, the Company entered into an exclusive license agreement with Chiome Bioscience, Inc., pursuant to which, the Company licensed in an exclusive right for antibodies targeting human TROP2 (trophoblast cell surface antigen 2) and to research, develop, manufacture and commercialize the related intellectual property rights in China (including Hong Kong, Macau and Taiwan regions of China).

- In March 2021, the Company entered into a binding term sheet with Suzhou NeuPharma Co., Ltd., pursuant to which the Company licensed in an exclusive right for HLX208, a small-molecule inhibitor targeting V600E mutation in human BRAF protein to develop, manufacture, commercialize and sublicense in China (including Hong Kong, Macau and Taiwan regions of China). Relevant cooperation agreement was formally entered into in May 2021.

- In February 2022, the Group entered into an agreement with Getz Pharma, pursuant to which, the Group agreed to grant a license to Getz Pharma to commercialize HANDAYUAN in Pakistan, Philippines, Vietnam and other regions.

7 Efficient Advancement on Clinical Research Projects both Domestically and Internationally:

- In January 2021, the enrollment of subjects was completed in a phase 2 clinical study of HANSIZHUANG (serplulimab injection) in combination with HANBEITAI for the treatment of advanced hepatocellular carcinoma (HCC).
- In March 2021, the first patient has been dosed in a phase 2/3 clinical study of HANSIZHUANG (serplulimab injection) in combination with HANBEITAI and chemotherapy (XELOX) for first-line treatment of metastatic colorectal cancer (mCRC) in Mainland China.
- In March 2021, a single-arm, open-label, multi-center phase 2 clinical study of HANSIZHUANG (serplulimab injection) for the treatment of unresectable or metastatic microsatellite instability-high (MSI-H) solid tumors that fail to respond to the standard therapy met the primary study endpoint. HANSIZHUANG (serplulimab injection) was approved for marketing in March 2022.
- In December 2021, the phase 2 investigational new drug application (IND) of HANSIZHUANG (serplulimab injection) in combination with HLX07 (recombinant anti-EGFR humanized monoclonal antibody injection) for the treatment of solid tumors was approved by the NMPA.
- In December 2021, the enrollment of subjects was completed in a phase 3 clinical study of HANSIZHUANG (serplulimab injection) in combination with chemotherapy (cisplatin + 5-FU) for first-line treatment of patients with locally advanced/metastatic esophageal squamous cell carcinoma (ESCC).
- In December 2021, a randomized, double-blind, international multi-center phase 3 clinical trial of HANSIZHUANG (serplulimab injection) or placebo in combination with chemotherapy (carboplatin-etoposide) in previously untreated patients with extensive-stage small cell lung cancer (ES-SCLC) has met the primary study endpoint of the overall survival (OS) in the first interim analysis after the assessment of the Independent Data Monitoring Committee (IDMC).
- In January 2022, the phase 3 investigational new drug application (IND) of HANSIZHUANG (serplulimab injection) in combination with chemotherapy concurrent radiotherapy for the treatment of limited-stage small cell lung cancer (LS-SCLC) was accepted by the NMPA, and it obtained relevant approval in March 2022.
- In February 2022, the phase 2 investigational new drug application (IND) of HANSIZHUANG (serplulimab injection) in combination with HLX07 (recombinant anti-EGFR humanized monoclonal antibody injection) and HANBEITAI for first-line treatment of unresectable or metastatic hepatocellular carcinoma (HCC) was accepted by the NMPA.
- From January 2021 to the Latest Practicable Date, the application for HLX04-O (recombinant humanized anti-VEGF monoclonal antibody injection) for the treatment of wet age-related macular degeneration (wAMD) was approved to commence the phase 3 clinical trial in Australia, the United States, Latvia, Singapore and some EU countries such as Spain, Czech Republic and Poland. The international multi-center phase 3 clinical trial of this subject is intended to be launched soon. In July 2021, the first patient has been dosed in a phase 1 clinical trial of HLX04-O for the treatment of wet age-related macular degeneration (wAMD) in Mainland China, and the first patient has been dosed in the related phase 3 clinical study in November 2021.
- In January 2022, a phase 1b/2 investigational new drug application (IND) of HLX208 (BRAF V600E inhibitor) monotherapy or in combined therapy for the treatment of BRAF V600E or BRAF V600 mutation-positive advanced solid tumors was approved by the NMPA. In January 2022, the first patient has been dosed in the phase 2 clinical trial of HLX208 (BRAF V600E inhibitor) for the treatment of adult Langerhans Cell Histiocytosis (LCH) and Erdheim-Chester disease (ECD) with BRAF V600E mutation in Mainland China.

8 Efficient Advancement for Pre-Clinical Development Projects:

During the Reporting Period, the Group accelerated the submission of investigational new drug application (IND) of pre-clinical research projects covering targets such as CD38, CD73, LAG-3, EGFR×4-1BB and PD-L1×TIGIT.

9 Biopharmaceutical Industrialization Base Layout with International Standards and High Cost-Efficiency:

During the Reporting Period, Xuhui Facility which had obtained GMP certificates both in China and EU, kept on improving its production efficiency through a series of lean management and process optimization initiatives. Two 2,000L bioreactors were newly constructed in Xuhui Facility, increasing the commercial production capacity from 20,000L to 24,000L. As at the Latest Practicable Date, the Group has completed production capacity construction of 24,000L for the Songjiang First Plant in Songjiang District, Shanghai. The Group received the Drug Manufacturing Certificate(《藥品生產許可證》) issued by the Shanghai Medical Products Administration and agreed to add the Songjiang First Plant for the production of HANQUYOU. The supplemental new drug application (sNDA) for second-generation process of HANQUYOU was also accepted. As at the Latest Practicable Date, the designed production capacity for Phase I project of Songjiang Second Plant increased from 36,000L to 96,000L. The construction of the main structure and secondary structure of the two main production buildings and the supporting public works and warehouses has been completed for the first and second stage for the Phase I of Songjiang Second Plant. The main structure of the auxiliary production buildings was completed and accepted, and most of the main production facilities such as the drug substance lines and the drug product lines has been completed the factory acceptance testing and installed in place.

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

OPERATION HIGHLIGHTS

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 innovation and layout of the three major segments of R&D, production and commercialization. During the Reporting Period, we have worked to promote the efficient development of the global commercialization of product pipeline and implement production capacity deployment for the biomedicines with high economic benefit based on international standards. With great achievements in clinical development and drug registration of pipeline products, the Group was gradually evolving from Biotech model to Biopharma model that is more scaled up and highly competitive in the market. From the beginning of 2021 to the Latest Practicable Date, HANBETAI, HANLIKANG for the treatment of the innovative indication of rheumatoid arthritis (RA) and HANSIZHUANG were approved for marketing, while other marketed products achieved steady progress in sales. During the Reporting Period, the Group made significant progress in 12 clinical trials, and received approvals for multiple clinical trials worldwide for 6 products and 1 combined therapy.

As at the Latest Practicable Date, 5 products (13 indications) of the Group have been successfully marketed in Mainland China, 1 product has been successfully marketed in Europe, new drug application of 1 indication of 1 new drug have been accepted in Mainland China, and more than 20 clinical trials are being carried out around the world.

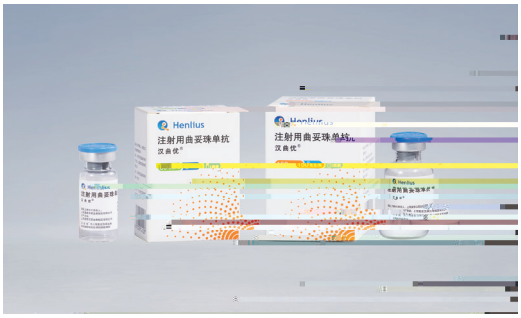
(I) Strong global product commercialization capability

During the Reporting Period, the Group actively implemented the concept of excellent commercialization bearing patients' needs in mind. Our commercialization team comprises of five major segments, namely market promotion, channel management, pricing and market access, domestic sales and strategic planning, covering the whole process of commercialization, in order to achieve continuous growth in sales scale of products. Following the launch of HANLIKANG, the first monoclonal antibody approved in China in accordance with the Guidelines for Biosimilars in 2019, several core products of the Group such as HANQUYOU (trastuzumab injection, EU brand name: Zercepac®), HANDAYUAN, HANBEITAI and HANSIZHUANG, were successively approved for marketing. From the beginning of 2021 to the Latest Practicable Date, we have reached sales cooperation with international partners in the United States, Canada, Pakistan, Philippines, Vietnam and other regions for HANQUYOU (trastuzumab injection, EU brand name: Zercepac®) and HANDAYUAN.

1. Commercialization process of marketed core products

Commercialization process of HANQUYOU (trastuzumab injection, EU brand name: Zercepac®) in Mainland China and EU (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-tumor therapy, and also the first product sold and promoted by the Group's in-house commercialization team in Mainland China. HANQUYOU (150mg) was launched for commercial sales since August 2020, and completed the tendering process on the procurement platform and was included into the medical insurance procurement platform for all provinces in Mainland China in the first half of 2021. Meanwhile, since its approval for marketing in August 2021, HANQUYOU (60mg) has completed the tendering process on the procurement platform in 25 provinces and was included into the medical insurance procurement platform in 31 provinces in Mainland China. In addition to the efficient market layout providing a strong foundation for the overall sales growth of HANQUYOU, the flexible dose portfolio of 150mg and 60mg also brings personalized and more economical treatment options for patients with different weight ranges. During the Reporting Period, the Group also actively cooperated with relevant enterprises in respect of physician education, medical big data, HER2 testing, innovative payment, patient management and education and has harvested a good market reputation in the construction of diagnosis and treatment ecosystem for HER2-positive breast cancer and gastric cancer patients. In addition, biosimilars were added to the new Chinese Society of Clinical Oncology (CSCO) Guidelines for Diagnosis and Treatment of Breast Cancer in 2021, and HANQUYOU was added to the new Chinese Society of Clinical Oncology (CSCO) Guidelines for Diagnosis and Treatment of Gastric Cancer in 2021.

The Group has an experienced commercialization core management team, the total member of which increased from approximately 400 at the end of 2020 to over 500 at the end of the Reporting Period, including a sales team of HANQUYOU composed of more than 400 professionals. We made full efforts to develop and further tap into other markets in Mainland China.

In September 2021, the Group received the Drug Manufacturing Certificate(《藥品生產許可證》) issued by the Shanghai Medical Products Administration. The supplemental new drug application (sNDA) for Second Generation Process of HANQUYOU has also been accepted during the Reporting Period.

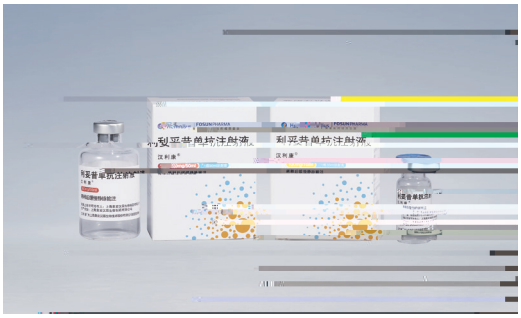
– Commercial sales of Zercepac® in the international market



Following Zercepac® (150mg) obtaining marketing approval in the EU in July 2020, Zercepac® (60mg) and Zercepac® (420mg) were approved for marketing in the EU in April 2021 and June 2021 respectively, providing local patients with a wider choice of dosage and more flexible combination of medications. In July 2021, the Swissmedic approved the new drug application of Zercepac® (150mg), which symbolized further recognition of the Group's products in the European market.

The Group has worked with its business partner Accord to promote the commercialization of Zercepac® in Europe, parts of the Middle East and North Africa and some countries in Commonwealth of the Independent States. Zercepac® is also the first "Chinese" monoclonal antibody biosimilar drug approved for sale in the EU. As at the end of the Reporting Period, Zercepac® has been successfully marketed in the United Kingdom and nearly 20 EU countries and regions including Germany, Spain, France, Italy, Ireland, and Hungary.

Commercial sales of HANLIKANG (rituximab injection) (a therapeutic product for hematological tumors and autoimmune diseases)



In February 2022, HANLIKANG for the treatment of the innovative indication of rheumatoid arthritis (RA) was approved for marketing, which is used in combination with methotrexate to treat moderate to severe active rheumatoid arthritis (RA) in adult patients who have responded inadequately to one or more TNF-α inhibitors, providing a new drug option for patients with autoimmune diseases. This indication is an innovative indication developed by the Group based on the differentiated development strategy while which of the original drug has not been approved in Mainland China. HANLIKANG has advantages of less dosing frequency and lasting medicine effect in treatment of the innovative indication of rheumatoid arthritis (RA), which is expected to improve patients' compliance and enhance patients' quality of life as well as alleviate their medical burden, providing an additional bargaining chip for the marketing and sales of HANLIKANG.

As at the Latest Practicable Date, HANLIKANG (100mg/10ml) has been included into the medical insurance procurement platform in 30 provinces in Mainland China, and has completed the tendering process on the procurement platform in 28 provinces, and was procured by more than 70% of major hospitals, laying a base for the sales of HANLIKANG. HANLIKANG (500mg/50ml) has been launched and supplied since May 2021, and has completed the tendering process on the procurement platform in 19 provinces and was included into the medical insurance procurement platform in 14 provinces in Mainland China.

In August 2021, the production base at Yishan Road, Xuhui District, Shanghai known as Xuhui Facility of the Group successfully passed the on-site inspection conducted by the Shanghai Medical Products Administration at drug product no.2 line for the production of HANLIKANG. In September 2021, the supplemental new drug application (sNDA) in respect of additional production site for Drug product of HANLIKANG (100mg/10ml) was approved by the NMPA.

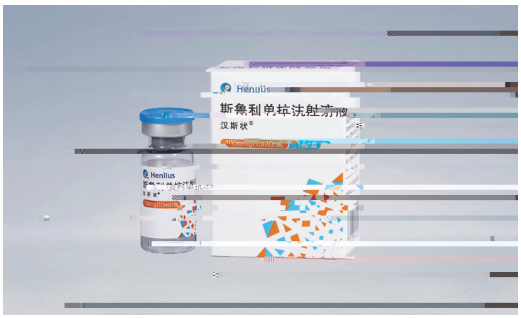
Jiangsu Fosun, a subsidiary of Fosun Pharma, the controlling shareholder of the Company, was responsible for the domestic commercial sale of HANLIKANG. As at the Latest Practicable Date, the specifications of

HANBEITAI (bevacizumab injection) was approved for marketing, providing high-quality drug options for patients with lung cancer and colorectal cancer



In November 2021, HANBEITAI, the fourth biosimilar product of the Group, was approved for marketing in Mainland China for the treatment of metastatic colorectal cancer (mCRC), advanced, metastatic or recurrent non-small cell lung cancer, and was the only biosimilar of bevacizumab with phase 3 clinical data of patients with metastatic colorectal cancer in China. In 2022, the Group will actively promote the inclusion into the medical insurance procurement platform, tendering process on the procurement platform and hospital access of HANBEITAI, and gradually achieve sales growth for provinces and municipalities adopting dual-channel medical insurance payment, with a view to providing new high-quality drug options for patients with high incidence of lung cancer and colorectal cancer in China. In April 2021, Xuhui Facility of the Group has successfully passed the on-site inspection of the drug substance south line and drug product no.1 line for the production of HANBEITAI by the Shanghai Medical Products Administration. Based on the indications for the original product approved for marketing in Mainland China, the Group also plans to submit the supplemental new drug application (sNDA) for new indications of HANBEITAI to treat recurrent glioblastoma, hepatocellular carcinoma, epithelial ovarian, fallopian tube or primary peritoneal cancer and cervical cancer in 2022.

HANSIZHUANG (serpluĞab injection) was approved for arketing, providing - l w treatment options for patients with microsate ĭ ite instability-high (MSI-H) advanced solid tumours



HANSIZHUANG, one of the Group's self-developed core innovative PD-1 monoclonal antibody products, has obtained conditional approval from the NMPA in March 2022 for the treatment of patients with unresectable or metastatic microsatellite instability-high (MSI-H) advanced solid tumors that have failed to respond to the standard therapy, making a new immunological therapy option available for patients. For this indication, patients are screened for specific MSI-H tumor markers, rather than classifying the tumor types, covering a wide range of cancer types. The Group has also established a professional and experienced team in advance to focus on the sales of HANSIZHUANG after its marketing. As of the end of the Reporting Period, the recruitment of sales management positions of HANSIZHUANG has been completed. The Group expects to establish a HANSIZHUANG sales team of approximately 200 employees in the first quarter of 2022, and put in place differentiated layout and expand the domestic market comprehensively in China after the launch of HANSIZHUANG to the market.

2. Products to be commercialized in the near future

HANSIZHUANG (serplulimab injection)

During the Reported Period, an international multi-center phase 3 clinical trial to compare HANSIZHUANG (serplulimab injection) in combination with chemotherapy (carboplatin nab-paclitaxel) against chemotherapy (carboplatin nab-paclitaxel) as first-line therapy for locally advanced or metastatic squamous non-small cell lung cancer (sqNSCLC) has completed enrollment of subjects and met the predefined primary study endpoint. Study data showed that the combined therapy significantly prolongs the progression-free survival (PFS) of patients. The new drug application (NDA) of this indication, which is the second indication for HANSIZHUANG (serplulimab injection) submitted by the Company in Mainland China, has been accepted by the Center for Drug Evaluation of the NMPA in September 2021.

In addition, a randomized, double-blind, international multi-center phase 3 clinical trial of HANSIZHUANG (serplulimab injection) or placebo in combination with chemotherapy (carboplatin-etoposide) in previously untreated patients with extensive-stage small cell lung cancer (ES-SCLC) has completed enrollment during the Reporting Period. In December 2021, such combined therapy met the primary study endpoint of the overall survival (OS) in the first interim analysis after the assessment of the Independent Data Monitoring Committee (IDMC).

3. Commercialization deployment in international markets during the Reporting Period

From the beginning of 2021 to the Latest Practicable Date, the Group adhered to the internationalization strategy by adding HANQUYOU (trastuzumab injection, EU brand name: Zercepac®) and HANDAYUAN to its commercialization portfolio in the United States, Canada, Pakistan, the Philippines, Vietnam and other regions. After the signing of the binding term sheet with Accord Healthcare Inc., in September 2020, the Group entered into a formal agreement with Intas, the parent company of Accord Healthcare Inc. in January 2021, pursuant to which, the Group agreed to grant a license to Intas for the development and commercialization of HANQUYOU (trastuzumab injection, EU brand name: Zercepac®) in the United States and Canada. According to the agreement, the Company is entitled to receive a down payment of $27 million, a regulatory milestone payment of up to $13 million, a commercial sales milestone payment of $25 million for each $500 million in cumulative net sales of the licensed product in the territories, and a tiered royalty ranging from 18% to 50% of the net profit of the licensed product. The partnership is not only a significant milestone for the first entry into the North America market of HANQUYOU, but also a sign of its commercialization to cover the mainstream biologics market in Europe and the United States. The new drug application for HANQUYOU in the United States is expected to be filed in 2022. In February 2022, the Group has entered into an agreement with Getz Pharma, pursuant to which, the Group agreed to grant a license to Getz Pharma to commercialize HANDAYUAN in Pakistan, Philippines, Vietnam, Myanmar, Cambodia, Nigeria, Kenya, Sri Lanka, Ukraine, Kazakhstan and Uzbekistan and other regions. According to the agreement, the Company is entitled to receive a down payment of $500,000, and a milestone payment of up to $7.5 million.

In the meantime, given the slow implementation of the collaboration on HANLIKANG in the licensed territories (including Argentina, Paraguay, Uruguay and Bolivia) with Biosidus in May 2018, the Group signed a cooperation termination agreement with Biosidus during the Reporting Period. The Group will continue to seek other partners for cooperation on HANLIKANG in such licensed territories.

As at the Latest Practicable Date, the Group has signed business cooperation agreements for several products of the Company with various international pharmaceutical companies, including Accord, Cipla Limited, Jacobson Medical (Hong Kong) Limited, KG Bio, Farma De Colombia S.A.S, Mabxience Research, S.L., Intas, Essex, Binacea and Getz Pharma. The Group will continue to actively promote the global commercialization deployment through strategic commercialization cooperation with the leading pharmaceutical companies in the world.

(II) Layout of industrialization base for biomedicines with high economic benefit based on international standards

In order to meet the need for the gradual realization of commercial sales of drug candidates in the product pipeline of the Group, the Group has formulated phased capacity planning for different product development cycles, with an aim to gradually improve and enhance large-scale commercial production capacity based on a sound quality management system, so that it can expand capacity and improve economic cost-effectiveness while maintaining high quality standards. In addition, we have optimized the deployment of production technology, production cost control and other aspects in advance, which laid a solid foundation for the commercialization of the Group's products in multiple jurisdictions.

Xuhui Facility (granted with dual GMP certification of China and EU, with commercial production capacity increasing from 20,000L to 24,000L)

As at the end of the Reporting Period, the Group has established Xuhui Facility, a biopharmaceutical production base in Shanghai Caohejing Hi-Tech Park, covering a total area of approximately 11,000 square meters, which has been granted with Chinese and EU GMP certificates and achieved normalized supply in China and the EU markets. During the Reporting Period, two 2,000L bioreactors were newly constructed in Xuhui Facility. As at the Latest Practicable Date, the commercial production capacity of Xuhui Facility has been increased from 20,000L to 24,000L, which can meet the Group's production needs in the near term. During the Reporting Period, Xuhui Facility continuously improved production efficiency through a series of lean management and process optimization measures. Furthermore, the Group promoted research and change on the localization of critical supplies, consumable materials and equipments for production, so as to minimize the risk related to material supply and equipment procurement against the prevailing international situation.

Songjiang First Plant (with production capacity construction of 24,000 L and equipment verification completed, manufacturing certificate granted)

In order to further improve medium and long-term production capacity planning, the Group has completed production capacity construction of 24,000L for the Songjiang First Plant in Songjiang District, Shanghai, including the liquid fill line and lyophilized preparation line, to prepare for meeting the production demand before the Songjiang Second Plant is put into operation. The drug substance production workshop of Songjiang First Plant has started GMP production of clinical samples since May 2020. The verification of all twelve 2,000L bioreactors was completed on schedule in the first half of 2021, and the construction of packaging lines were also completed on time during the Reporting Period. In September 2021, the Group received the Drug Manufacturing Certificate (《藥品生產許可證》) issued by the Shanghai Medical Products Administration and agreed to add the Songjiang First Plant for the production of HANQUYOU. The supplemental new drug application (sNDA) for second-generation process of HANQUYOU was also accepted during the Reporting Period.

(III) Sustainable global clinical development capability on medical products

During the Reporting Period, based on clinical needs, the Group gradually improved the innovation pipeline including HANSIZHUANG (serplulimab injection) and related combined therapy (including HANSIZHUANG (serplulimab injection) in combination with HANBEITAI, HANSIZHUANG (serplulimab injection) in combination with HLX07 (recombinant anti-EGFR humanized monoclonal antibody injection)), HLX208 (BRAF V600E inhibitor), HLX301 (recombinant human anti-PD-L1 and anti-TIGIT bispecific antibody injection), HLX22 (anti-human epidermal growth factor receptor-2 (HER2) humanized monoclonal antibody injection) in combination with HANQUYOU, HLX26 (recombinant anti-LAG-3 humanized monoclonal antibody injection). The Company has orderly organized the development of innovative products indicated for the treatment of solid tumors, adult Langerhans cell histiocytosis (LCH) and Erdheim-Chester disease (ECD), gastric cancer, lymphomas, hepatocellular carcinoma, intestinal cancer, lung cancer and others.

HANSIZHUANG (serplulimab injection) is the core innovative monoclonal antibody product in the Group's product pipeline, based on which the Group also pioneered the introduction of combined immunotherapy. As at the Latest Practicable Date, HANSIZHUANG (serplulimab injection) has been successively approved for clinical trials in China, the United States, the EU and other countries/regions; 10 clinical researches are in the process in an orderly manner, including 2 international multi-center clinical trials; and as at the end of the Reporting Period, a total of over 2,800 subjects have been enrolled in the trials in China, Turkey, Poland and other countries/regions, representing an increase of over 800 subjects for trials as compared with the end of 2020. HLX208 (BRAF V600E inhibitor), an innovative product in-licensed by the Group during the Reporting Period, is currently in phase 2 clinical study and early clinical data have also demonstrated preliminary efficacy and minimal side effects. This target-focused product may have synergy with the Group's EGFR or PD-1-targeted monoclonal antibody products to enhance a high-quality, differentiated and innovative product portfolio for the treatment of various cancers. The clinical studies of HLX208 (BRAF V600E inhibitor) on the indications for the treatment of Langerhans cell histiocytosis (LCH) and Erdheim-Chester disease (ECD), metastatic colorectal cancer, non-small cell lung cancer are also progressing forward positively.

As at the end of the Reporting Period, the Group has established a global product development team with more than 350 staff for advancing the clinical research and drug registration of many candidate drugs across the world, and achieved significant progress in 12 clinical trials and multiple global clinical trial approvals for 6 products and 1 combined therapy during the Reporting Period.

1. Continuous and efficient advancement on clinical research products

As at the Latest Practicable Date, the Group is carrying out a total of more than 20 clinical trials for 12 products and 10 combined therapies in an orderly manner in various countries/regions.

Progress of international clinical research projects

- In January 2021, HLX04-O (recombinant humanized anti-VEGF monoclonal antibody injection) for the treatment of wet age-related macular degeneration (wAMD) was acknowledged by the Therapeutic Goods Administration, Australia, and the phase 3 clinical trial was given permission to commence in Australia. The application for phase 3 clinical trial was also approved by the United States Food and Drug Administration (FDA) and the State Agency of Medicines of Latvia in March 2021 and April 2021, respectively. In addition, HLX04-O has been successively approved to commence the phase 3 clinical trial in Singapore and some EU countries such as Spain, Czech Republic and Poland. The international multi-center phase 3 clinical trial is intended to be launched soon.

– Progress of other products

- In July 2021, the first patient has been dosed in a phase 1 clinical trial of HLX04-O (recombinant humanized anti-VEGF monoclonal antibody injection) for the treatment of wet age-related macular degeneration (wAMD) in Mainland China, and the first patient has been dosed in the related phase 3 clinical study in November 2021.

- In September 2021, the first patient has been dosed in a phase 2 clinical trial of HLX22 (anti-human epidermal growth factor receptor-2 (HER2) humanized monoclonal antibody injection) in combination with HANQUYOU and chemotherapy (XELOX) versus placebo in combination with HANQUYOU and chemotherapy (XELOX) for first-line treatment of patients with HER2-positive locally advanced or metastatic gastric cancer in Mainland China.

- In January 2021, the investigational new drug application (IND) of HLX26 (recombinant anti-LAG-3 human monoclonal antibody injection) for the treatment of solid tumors and lymphomas was accepted by the NMPA. Such application was approved by the NMPA in April 2021. In October 2021, the first subject has been dosed in a phase 1 clinical trial of HLX26 (recombinant anti-LAG-3 humanized monoclonal antibody injection) for the treatment of solid tumors and lymphomas in Mainland China.

- In November 2021, a phase 1 clinical trial of HLX11(recombinant anti-HER2 domain II humanised monoclonal antibody injection) reached primary study endpoint and was successfully completed. HLX11 is intended for the treatment of metastatic/early breast cancer.

- In December 2021, HLX55 (recombinant humanised IgG2 anti-c-MET monoclonal antibody for injection) has demonstrated its good safety and tolerability in a phase 1 clinical trial for subjects with advanced solid tumors refractory to standard therapy, and the relevant clinical study report has been finished.

- In January 2022, a phase 1b/2 investigational new drug application (IND) of HLX208 (BRAF V600E inhibitor) monotherapy or in combined therapy for the treatment of BRAF V600E or BRAF V600 mutation-positive advanced solid tumors was approved by the NMPA. In January 2022, the first patient has been dosed in the phase 2 clinical trial of HLX208 (BRAF V600E inhibitor) for the treatment of adult Langerhans Cell Histiocytosis (LCH) and Erdheim-Chester disease (ECD) with BRAF V600E mutation in Mainland China.

2.

The clinical and pre-clinical application results of the Group from the beginning of 2021 up to the Latest Practicable

Product name (targets)	Indications	Progress as at the Latest Practicable Date
HANSIZHUANG in combination with chemotherapy (PD-1)	Esophageal squamous cell carcinoma (ESCC)	In December 2021, the enrollment of subjects was completed in a phase 3 clinical study
HANSIZHUANG in combination with chemotherapy (PD-1)	Limited-stage small cell lung cancer (LS-SCLC)	In January 2022, the phase 3 investigational new drug application was accepted by the NMPA In March 2022, the phase 3 investigational new drug application was approved by the NMPA
HANSIZHUANG in combination with HLX07 and HANBEITAI (PD-1+EGFR+VEGF)	Hepatocellular carcinoma (HCC)	In February 2022, the phase 2 investigational new drug application was accepted by the NMPA
HLX04-O (VEGF)	Wet age-related macular degeneration (wAMD)	In July 2021, the first patient dosing was completed in a phase 1 clinical study In November 2021, the first patient dosing was completed in a phase 3 clinical study
HLX22 in combination with HANQUYOU and in combination with chemotherapy (HER2+HER2)	Gastric cancer (GC)	In September 2021, the first patient dosing was completed in a phase 2 clinical study
HLX26 (LAG-3)	Solid tumor, lymphomas	In January 2021, the investigational new drug application was accepted by the NMPA In April 2021, the investigational new drug application was approved by the NMPA In October 2021, the first patient dosing was completed in a phase 1 clinical study
HLX11 (HER2)	Breast cancer (BC)	In November 2021, the phase 1 clinical study reached the primary study endpoint
HLX55 (c-MET)	Solid tumor	In December 2021, the relevant clinical research report was completed for the phase 1 clinical study
HLX208 (BRAF V600E)	Solid tumor, Adult Langerhans Cell Histiocytosis (LCH) and Erdheim-Chester disease (ECD)	In January 2022, the investigational new drug application of monotherapy or combined therapy was approved by the NMPA In January 2022, the first patient dosing was completed in a phase 2 clinical study

Product name (targets)	Indications	Progress as at the Latest Practicable Date
Efficient advancement on IND application for pre-clinical development projects		
HLX15 (CD38)	Myeloma (MM)	In January 2021, the investigational new drug application was approved by the NMPA
HLX23 (CD73)	Solid tumor	In May 2021, the investigational new drug application was approved by FDA
HLX35 (EGFR × 4-1BB)	Solid tumor	In January 2022, the investigational new drug application was approved by the NMPA
HLX301 (PD-L1 × TIGIT)	Solid tumor, lymphomas	In January 2022, the investigational new drug application was accepted by the NMPA In March 2022, the investigational new drug application was approved by the NMPA
HLX26 in combination with HANSIZHUANG (LAG-3+PD-1)	Solid tumor, lymphomas	In February 2022, the investigational new drug application was accepted by the NMPA

(IV) Social responsibility, environmental policies and performance

Adhering to the philosophy of "Affordable Innovation, Reliable Quality" and staying true to its mission, the Group has actively fulfilled its responsibilities toward stakeholders such as patients, employees, partners, and communities, and committed to providing more affordable but higher quality biopharmaceuticals for global patients. The Group has placed the legality and compliance as its core operating principle by strictly abiding by the relevant laws and regulations in the regions where it operates and restricting its own behavior. Also, the Group attaches great importance to the establishment and maintenance of relationships with its stakeholders, focusing on its ability to build an employment relationship of mutual facilitation with its employees, to establish a supply and demand relationship of mutual trust with the market, and to establish a cooperation relationship of mutual win-win with its cooperative partners. The Group actively assumes corporate social responsibilities by giving full play to its own advantages and cooperating with all walks of the society to jointly promote the development of social welfare undertakings. During the Year, the Group continued to promote its public welfare project of "Leaving No HER2-positive Patient Behind" and built a diversified ecosystem around patient health education, patient care, testing and screening, rural medical care, and other aspects. The Group also kept a close eye on rural revitalization, fighting floods and providing disaster relief, and exert material assistance by investing resources. In terms of environmental management, the Group greatly values the impact of the corporate value chain on the environment. The Group has been continuously improving the environmental management system, and also formulated environmental goals, strengthened the environmental governance, in order to strengthen the ability to respond to climate change risks. During the Reporting Period, the Group did not have any events that made us subject to any major penalties from relevant departments due to environmental issues.

Further information on the Group's social responsibility, corporate governance, environmental policies and performance will be set out in the Environmental, Social and Governance Report to be published by the Company in due course.

II. OUTLOOK FOR 2022

In February 2022, HANLIKANG was approved for marketing and sales of its innovative rheumatoid arthritis (RA) indication, which will add additional bargaining advantages to the marketing and sales of HANLIKANG. As the first monoclonal antibody drug approved for marketing under the Guidelines for Biosimilars in China, HANLIKANG is currently available in two dosage forms (100mg/10ml and 500mg/50ml) in the market, and its applicable indications include not only the indications of the original drug in the field of hematology oncology approved in Mainland China, but also the field of autoimmunity, providing high-quality and flexible treatment options for a larger patient population. The Group will maintain close cooperation with Jiangsu Fosun to seize the first-entrant advantages and promote the continuous growth of sales of HANLIKANG. In 2022, HANLIKANG will continue to cooperate with academic groups to promote the standardized diagnosis and treatment of lymphomas through academic exchanges and other means, and enter into the field of rheumatism to benefit patients with rheumatoid arthritis.

At the same time, the Group will continue to cooperate with Jiangsu Wanbang to carry out sales promotion of HANDAYUAN, focusing on the fields of rheumatism (ankylosing spondylitis, rheumatoid arthritis0 1 k/ population.r 0.i8nn.r g s

(IV) Maintain high quality standards and continue to promote industrialization deployment

The Group will plan in advance the construction of production base and the expansion of production capacity according to the product R&D and marketing process, in order to provide a strong guarantee for the continuous commercial sales of products and realize the efficient utilization of production capacity. The Group's Xuhui Facility has achieved stable and efficient commercial production after improving production efficiency and reducing production costs during the Reporting Period through a series of lean management and process optimization initiatives. The relevant measures will be further enhanced in 2022. In addition, the production materials and consumables, key production equipments will also go through further localization in 2022.

As of the Latest Practicable Date, Songjiang First Plant had completed the engineering construction and verification of facilities with production capacity of 24,000L. Also, The Drug Manufacturing Certificate (《藥品生產許可證》) was approved for the production of HANQUYOU, and the supplemental new drug application (sNDA) for the second-generation process of HANQUYOU has also been accepted during the Reporting Period. The Group anticipates that the supplemental new drug application (sNDA) and GMP compliance on-site inspection of the second-generation process of HANQUYOU are likely to be approved and passed in mid-2022, while Songjiang First Plant is expected to be officially put into commercial production for HANQUYOU in mid-2022. In addition, Songjiang First Plant will also continue to improve its international standard quality system and plan to complete the GMP inspection by the United States Food and Drug Administration (FDA) in the first half of 2023.

To achieve the long-term capacity planning, the Group will continue to promote the construction of the Songjiang Second Plant, in order to enhance the overall production capacity. The construction, installation of process equipments for the two main production buildings in the first and second stage of the Songjiang Second Plant Phase I Project are expected to be completed in the first half of 2022 and will enter into the joint commissioning and verification stage. Also, the verification work of facilities and equipment is expected to be completed in the second half of 2022 and will enter into the stage of trial production and process verification. The first batch production of the Songjiang Second Plant project is expected to be completed by the end of 2022. The concept and fundamental design of the third stage of the Songjiang Second Plant Phase I project has been completed and is scheduled to enter the full-scale construction phase in 2022. 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 monoclonal antibody biological drug research and development, pilot test and production base 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 has built a first-class commercialization team in the industry by virtue of innovative market access, business strategy and efficient executive capability in sales, through which the Group rapidly established a foothold in the broad domestic market and continued to penetrate into every corner of the market, laying a solid groundwork for the subsequent transformation of the Company. With the commercialization of four core products in the recent three years, the Group witnessed an increase in the sales of its major products during the Reporting Period with the help of its first-class self-built commercialization team and its close cooperation with its partners, making gratifying achievements.

As an international innovative biopharmaceutical company, the Group seeks to cooperate with global well-known biopharmaceutical companies by capitalizing on its own enhancing R&D capability and unique domestic clinical resources to establish presence in multiple global markets while making overall plans for the domestic market, covering European and American mainstream markets and many other emerging markets. Strategically, through the commercialization right of out-licensed products, the Group introduced its cost-effective products to a broader global market, bringing considerable R&D service revenue and licensing revenue for the Group while benefiting more patients around the world.

During the Reporting Period, the Group registered an operating income of approximately RMB1,682.5 million, an increase of 186.3% over the last year, mainly including the following:

1) Revenue from Chinese market:

HANQUYOU: the first domestic trastuzumab approved for marketing, was independently developed by the Group and also the first product of the Group to adopt its own team to conduct commercialization promotion. It was commercialized in the domestic market in August 2020. During the Reporting Period, HANQUYOU recorded a sales revenue of approximately RMB868.0 million, an increase of approximately RMB758.5 million or 692.7% over 2020.

HANLIKANG: according to the cooperation agreement with Fosun Pharma, Fosun Pharma will reimburse all the expenses related to the clinical trials of HANLIKANG incurred by the Group after the relevant cooperation agreement is signed, while the Group is responsible for the production of HANLIKANG in China and the supply of HANLIKANG to Fosun Pharma after the commercialization of HANLIKANG, and shall share the profits from the sales of HANLIKANG in China. During the Reporting Period, the Group realized sales revenue of approximately RMB542.5 million and licensing revenue of approximately RMB10.4 million under the aforementioned profit-sharing arrangement with its partners.

HANDAYUAN: according to the cooperation agreement with Fosun Pharma, Fosun Pharma will reimburse all the expenses related to the clinical trials of HANDAYUAN incurred by the Group after the relevant cooperation agreement is signed, while the Group is responsible for the production of HANDAYUAN in China and the supply of HANDAYUAN to Fosun Pharma after the commercialization of HANDAYUAN, and shall share the profits from the sales of HANDAYUAN in China. During the Reporting Period, HANDAYUAN realized sales revenue of approximately

3) Revenue from joint development and technology transfer/commercialization licensing

With the continuous improvement of the R&D system and innovation capabilities of the Group, our influence in the international market is growing, at the same time, 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, commercialization, etc..

In June 2018, the Group entered into a license agreement with Accord in relation to HANQUYOU (trastuzumab injection, EU brand name: Zercepac®), granting Accord exclusive commercial rights in special territories as agreed therein. In July 2020, the marketing authorization application of HANQUYOU (Zercepac®) submitted by a wholly-owned subsidiary of Accord was approved. Since then, HANQUYOU (Zercepac®) can be marketed in all EU Member States as well as in Iceland, Liechtenstein and Norway (each in the European Economic Area (EEA)) with its centralized marketing license. The Group has recognised licensing revenue and revenue from R&D services of approximately RMB11.0 million for the 12 months ended 31 December 2021.

In September 2019, the Group entered into a co-development and commercialization agreement with KG Bio in relation to HANSIZHUANG (serplulimab injection). With the continuous advancement of research and development services, the Group has recognised revenue from R&D services of approximately RMB16.3 million for the 12 months ended 31 December 2021.

In September 2020, the Group entered into a co-development and exclusive license agreement with Essex in relation to the HLX04-O (recombinant humanized anti-VEGF monoclonal antibody injection independently developed by the Group). The Group has recognised revenue from R&D services of approximately RMB71.4 million for the 12 months ended 31 December 2021.

In November 2020, the Group entered into a license and co-development agreement with Binacea in relation to HLX35 (recombinant humanized anti-EGFR and anti-4-1BB bispecific antibody injection independently developed by the Group). The Group has recognised licensing revenue of approximately RMB57.8 million for the 12 months ended 31 December 2021.

In January 2021, the Group entered into a license agreement with Intas in relation to HANQUYOU (trastuzumab injection, EU brand name: Zercepac®), granting Intas exclusive developing and commercial rights in special territories as agreed therein. The Group has recognised revenue from R&D services of approximately RMB19.2 million for the 12 months ended 31 December 2021.

(II) Cost of sales

Cost of sales of the Group primarily represents reagents and consumables, employee compensation, outsourcing expenses, utilities expenses and depreciation and amortisation. For the 12 months ended 31 December 2021, the Group recorded cost of sales of approximately RMB522.7 million, representing an increase of approximately RMB340.6 million as compared with that for the 12 months ended 31 December 2020, due to the increase of the sales volume of the key commercial products in the market.

(III) Gross profit

For the 12 months ended 31 December 2021, the Group recorded a gross profit of approximately RMB1,159.7 million, representing an increase of approximately RMB754.2 million, as compared with that for the twelve months ended 31 December 2020, mainly due to the gross profit contribution from the key commercial products of the Company.

(IV) Other income and gains

Other income and gains 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 interest subsidy as well as other supports (recognised after satisfying certain conditions imposed by the government).

During the Reporting Period, the Group recognised other income and gains of approximately RMB45.1 million.

(VI) Administrative expenses

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

For the 12 months ended 31 December 2021, the Group recognised administrative expenses of approximately RMB280.6 million as compared with that of approximately RMB192.6 million for the twelve ended 31 December 2020, representing an increase of 45.7%. The increase in administrative expenses of the Group was mainly due to: (1) the increase in the headcount of the administrative staff and the higher compensation resulted from the expansion of the operations and development of the Company; (2) the increase in office administrative expenses, lease expenses and promoting expenses; and (3) the corresponding increase in consulting expenses incurred from meetings to improve the Company's operational efficiency.

(VII) Selling and distribution expenses

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

For the 12 months ended 31 December 2021, the Group recognised selling and distribution expenses of approximately RMB520.3 million, which were mainly the marketing expenses incurred in the marketing and commercialization of the product of HANQUYOU.

(VIII) Loss for the year

In view of the above, loss of the Group decreased by approximately RMB9.4 million from approximately RMB993.5 million for the year ended 31 December 2020 to approximately RMB984.1 million for the year ended 31 December 2021.

(IX)

As at 31 December 2021, the bank balances in foreign exchange were as follows:

	RMB'000
RMB	116,978
HKD	7,297
USD	580,571
EUR	217
NTD	2,270

	Original amount
RMB	116,978
HKD	8,925
USD	91,061
EUR	30
NTD	9,862

(X) Inventories

(XIII) Maturity structure of outstanding debts

The following table sets forth the maturity structure of outstanding debts as at 31 December 2021 and 31 December 2020, of which lease liabilities were initially recognised upon the adoption of IFRS 16 – Leases on 1 January 2017.

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within one year	**1,570,674**	1,188,486
In the second year	**318,790**	82,089
In the third to fifth year (inclusive)	**177,956**	320,792
Over five years	**555,517**	242,250
Total	**2,622,937**	1,833,617

(XIV) Collateral and pledged assets

As at 31 December 2021, the Group's pledged assets in relation to borrowings included trade receivables of approximately RMB69.4 million, prepayments, deposits and other receivables of approximately RMB8.3 million, property, plant and equipment of approximately RMB364.1 million and land use right of approximately RMB201.1 million. The Group had a deposit of approximately RMB1.7 million due to issuance of letter of credit.

(XV) Key financial ratios

	31 December	31 December
	2021	2020
Current ratio [(1)]:	**55.7%**	96.5%
Quick ratio [(2)]:	**41.5%**	81.1%
Gearing ratio [(3)]:	**51.8%**	18.4%

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 of 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.

(XVI) Material investment

In order to satisfy the expected market demand for drugs in our pipeline, 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 research and development, pilot test and production base of the Group when completed, which is conducive to further strengthening the Group's research and development 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 Company 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.

Save as disclosed in this report, as at 31 December 2021, the Group did not make other significant investments.

(XVII) Capital commitments and capital expenditures

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Plant and machinery	**55,745**	170,240
Construction in progress	**250,773**	274,769
Electronic equipment	**14,096**	15,822
Leasehold improvements	**45,706**	106,058
Others	**378**	473
Total	**366,698**	567,362

We had capital commitments for plant and machinery contracted but not provided for of approximately RMB463.1 million as at 31 December 2021. 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.

(XVIII) Contingent liabilities

As of 31 December 2021, the Group did not have any material contingent liabilities.

(XIX) Material acquisitions and disposals

As of 31 December 2021, the Group did not have any material acquisitions and disposals.

(XX) Dividends

The Company did not pay or declare any dividend for the year ended 31 December 2021.

IV. RISK MANAGEMENT

(I) Foreign exchange risk

Up until 31 December 2021, 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 denominated in USD and EUR will increase in the future. Fluctuations in exchange rates may adversely affect the Group's cash flows, revenues, earnings and financial position.

(III) Potential risks

1. Market Risk

The biologics market is highly competitive, and the Group's existing commercialized products and products that may be commercialized 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, coverage and depth of customer, 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 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 centralized 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. Currently, biosimilar is not yet included in the drug application of centralized drug procurement. If any products are included in the centralized volume-based procurement in the future, our rivals (if they are evaluated on equivalence) may also choose to participate in tenders and be included in centralized procurement, hence bringing potential impact on the pricing of the drugs.

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. The currently available products of the Group include: HANLIKANG, HANQUYOU (trastuzumab injection, EU brand name: Zercepac®), HANDAYUAN and HANBEITAI. 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 of 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 commercialization of the Group's drug candidates in a timely manner may be adversely affected.

3. Potential Risks of Novel Coronavirus

After the outbreak of COVID-19, the Group immediately adopted anti-epidemic measures, to secure employees' safety and guarantee to carry out a variety of work duties in an orderly manner. Despite the weakened impact of COVID-19 on the Group's operations in China in the second half of 2021, there are still uncertainties about its impact on China and the world in the future. The epidemic of COVID-19 may have potential impacts on the Group's business, including but not limited to commodity sales, the hiring of staff for clinical trials and staff's involvement, approval of regulatory registration, procurement of raw materials, and construction progress of production base. The Group will continue to observe the epidemic situation and make all preparations in advance.

4. 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 2021:

Function	Number of employees
Management and administrative	**203**
R&D	**335**
Quality and technical support	**255**
Manufacturing	**610**
Clinical medical affairs	**304**
Commercial Operation	**527**
Total	**2,234**

The Group enters into individual employment contracts with our employees setting out terms such as salaries, bonuses, grounds for termination and confidentiality. Employment contracts with our R&D personnel also typically contain a non-competition clause.

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 2021, the total amount of RMB201.1 million in right-of-use asset was pledged to banks as loan security (31 December 2020: RMB205.3 million). The total amount of RMB364.1 million in property, plant and equipment was pledged to banks as loan security (31 December 2020: Nil).

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 29 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 2021, 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 83.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the total amount of purchases attributable to the Group's five largest suppliers was 32.2% of the total purchases of the Group. The total amount of purchases attributable to the Group's largest supplier was 8.4% of the total purchases of the Group. The total amount of revenue attributable to the Group's five largest customers was 72.3% of the total revenue of the Group. The total amount of revenue attributable to the Group's largest customer was 31.8% 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 Company.

DIRECTORS

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

Executive director

Mr. Wenjie Zhang *(Chairman and chief executive officer)*

Non-executive directors

Mr. Qiyu Chen
Mr. Yifang Wu
Ms. Xiaohui Guan
Dr. Aimin Hui
Mr. Zihou Yan

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
Ms. Junhong Liu

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 67 to 74 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

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

As of 31 December 2021, 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 in relevant class of Shares	Approximate percentage in total Shares
Fosun New Medicine	Beneficial owner	Domestic Shares	265,971,569	73.03%	48.94%
Fosun Pharma Industrial Development[1]	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[2]	Interest in controlled entity	Domestic Shares	291,365,387	80.00%	53.61%
		H Shares	24,211,239	14.81%	4.45%
Fosun High Tech[3]	Interest in controlled entity	Domestic Shares	291,365,387	80.00%	53.61%
		H Shares	24,211,239	14.81%	4.45%
Fosun International[4]	Interest in controlled entity	Domestic Shares	291,365,387	80.00%	53.61%
		H Shares	24,211,239	14.81%	4.45%
FHL[5]	Interest in controlled entity	Domestic Shares	291,365,387	80.00%	53.61%
		H Shares	24,211,239	14.81%	4.45%
FIHL[6]	Interest in controlled entity	Domestic Shares	291,365,387	80.00%	53.61%
		H Shares	24,211,239	14.81%	4.45%
Guangchang Guo[7]	Interest in controlled entity	Domestic Shares	291,365,387	80.00%	53.61%
		H Shares	24,211,239	14.81%	4.45%
Fosun Industrial	Beneficial owner	H Shares	21,018,900	12.86%	3.87%
	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[8]	Interest in controlled entity	H Shares	11,370,960	6.96%	2.09%
Qatar Investment Authority[8]	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)[9]	Interest in controlled entity	H Shares	2,842,740	1.74%	0.52%
Cayman Henlius[10]	Beneficial owner	H Shares	51,877,060	31.74%	9.55%
Wei-Dong Jiang[11]	Beneficial owner	H Shares	686,455	0.42%	0.13%
	Interest in controlled entity	H Shares	51,877,060	31.74%	9.55%
Scott Shi-Kau Liu[12]	Beneficial owner	H Shares	2,410,695	1.48%	0.44%
	Interest in controlled entity	H Shares	51,877,060	31.74%	9.55%
Henlink	Beneficial Owner	Unlisted Foreign Shares	15,876,694	100%	2.92%

Notes:

(1) As at 31 December 2021, 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.

(2) 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 of 31 December 2021, 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.

(3) As at 31 December 2021, Fosun High Tech held approximately 39.39% of the shares in Fosun Pharma. Fosun International was deemed to be interested in the Domestic Shares and H Shares which Fosun High Tech was interested in.

(4) As at 31 December 2021, Fosun High Tech was wholly owned by Fosun International. Fosun International was deemed to be interested in the Domestic Shares and H Shares which Fosun High Tech was interested in.

(5) As at 31 December 2021, FHL directly held approximately 72.66% 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.

(6) As at 31 December 2021, FHL was wholly owned by FIHL. FIHL was deemed to be interested in the Domestic Shares and H Shares which FHL was interested in.

(7) As at 31 December 2021, 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.

(8) As at 31 December 2021, 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.

(9) As at 31 December 2021, 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.

(10) As at 31 December 2021, Cayman Henlius was held by Dr. Scott Shi-Kau Liu and Dr. Wei-Dong Jiang as to approximately 62.96% and 37.04% 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.

(11) As at 31 December 2021, Dr. Wei-Dong Jiang held approximately 37.04% 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.

(12) As at 31 December 2021, Dr. Scott Shi-Kau Liu held approximately 62.96% 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 of 31 December 2021, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed

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 2021, the Company did not have any share option scheme.

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. Details of the 2018 Share Award Scheme and amendments to the 2018 Share Award Scheme are set out in notes 31 to the financial statements.

In addition, on 10 December 2020, the Company adopted the 2020 Share Award Scheme as certain 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 Participants of the 2020 Share Award Scheme will acquire the Restricted Interests from the Resigned Participants of the 2018 Share Award Scheme. The Participants of the 2021 Share Award Scheme will acquire the Restricted Interests from the Resigned Participants of the 2018 and 2020 Share Award Scheme. Details of the amendments to the 2020 Share Award Scheme are set out in notes 31 to the financial statements.

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 RMB6.0 million.

CONTINUING CONNECTED TRANSACTIONS

Framework property leasing agreement

On 31 December 2019, the Company entered into a Framework Property Leasing Agreement with Clone High Tech, a wholly-owned subsidiary of Fosun Pharma, pursuant to which, the Group has agreed to lease premises to Clone High Tech 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 2020 and ending on 31 December 2022.

Clone High Tech is a wholly-owned subsidiary of Fosun Pharma, the controlling shareholder of the Company. Therefore, Clone High Tech is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, under Chapter 14A of the Listing Rules, the entering into of the Framework Property Leasing Agreement constitutes a continuing connected transaction of the Company.

The annual caps for the premises leased by the Group from Clone High Tech under the Framework Property Leasing Agreement for the two years ending 31 December 2021 and 2022 are set at RMB15.6 million and RMB17.5 million, respectively. On 30 June 2021, the Company increased the annual caps for the two years ending 31 December 2021 and 2022 to RMB83.0 million and RMB54.0 million, respectively.

Promotional services agreement

On 24 August 2020, Henlius Biopharmaceuticals, a wholly-owned subsidiary of the Company, entered into a Promotional Services Agreement with Jiangsu Fosun to engage Jiangsu Fosun to provide promotional services to the Group in relation to the Group's HANQUYOU (trastuzumab injection, EU brand name: Zercepac®) for the year of 2020. As the Group intends to continue to engage

As at 24 April 2020 and 31 December 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 ending 31 December 2021 and 2022 will not exceed RMB14,000,000 and RMB19,000,000, 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 ending 31 December 2021 and 2022 will not exceed RMB4,000,000 and RMB6,000,000, respectively. On 31 December 2020, the Company has increased the annual caps for the two years ending 31 December 2021 and 2022 to RMB5,000,000 and RMB7,000,000 respectively.

Sinopharm distribution framework agreement

On 24 April 2020, the Company entered into a Sinopharm Distribution Framework Agreement to distribute the Biopharmaceutical

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 Company 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 RMB547.3 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 142 to 147 of this annual

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 36 to the financial statements.

Apart from the 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.

NON-COMPETITION UNDERTAKING

Fosun Pharma has provided a non-compete 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 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. The total gross proceeds amounted to approximately HK$3,209 million by way of initial public offering of the Company on the Hong Kong Stock Exchange.

On 22 October 2019, the over-allotment option granted in connection with the Global Offering was partially exercised and the Company issued an aggregate of 4,366,400 H Shares at HK$49.6 per H Share. The total gross proceeds amounted to approximately HK$216.6 million.

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 the announcement of the Company dated 26 March 2021 (the "**Announcement**"). As at the end of the Reporting Period, details of the proceeds that have been used and will continue to be used in accordance with those set out in the Prospectus and subject to the adjustment of the Announcement are set out below:



Notes:

(1) The use of proceeds to be applied to the research and development of the Core Products depends on the development progress of each Core Product. Please refer to the section headed "Management Discussion and Analysis" in this annual report for further details.

(2) The use of proceeds to be applied to the research and development of the other biosimilar candidates depends on the development progress of each of these biosimilar candidates. Please refer to the section headed "Management Discussion and Analysis" in this annual report for further details.

(3) The use of proceeds to be applied to the research and development of the bio-innovative drugs and the development of immuneoncology combination therapy depends on the development progress of each of these drugs and therapies. Please refer to the section headed "Management Discussion and Analysis" in this annual report for further details.

(4) 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 options. Please see the Announcement for details of the adjustment of the use and allocation of the net proceeds from the Global Offering.

(5) The majority of the net proceeds from the Global Offering are allocated to fund ongoing clinical trials, regulatory filings and registrations of the Company's drugs and therapies, the outcome and hence the timeframe, of which are not within the control of the Company. Please refer to the section headed "Management Discussion and Analysis" in this annual report for further details.

Other than fund raising activity as set out above, the Company has not conducted any other fund raising activities involving the issue of equity securities within 12 months immediately prior to the Latest Practicable Date.

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. On 27 April 2020, a circular containing the details of the Proposed A Share Offering was despatched to the Shareholders. On 12 June 2020, the resolutions in relation to the Proposed A Share Offering were duly passed. On 23 April 2021, a circular containing the details of extension of the Proposed A Share Offering and Listing was despatched to the Shareholders. On 25 May 2021, the resolutions in relation to extension of the Proposed A Share Offering and Listing were duly passed.

Other than fund raising activity as set out above, the Company has not conducted any other fund raising activities involving the issue of equity securities within 12 months immediately prior to the Latest Practicable Date.

SUBSEQUENT EVENTS

No major subsequent events have occurred since the end of the Reporting Period and as at the Latest Practicable Date.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes 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

For the year ended 31 December 2021, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

RELATIONSHIP WITH STAKEHOLDERS

The Company recognizes 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 organizations.

To enhance customer satisfaction and promote a customer-oriented culture within the Group, the Company takes "Customer First" as

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

CORPORATE GOVERNANCE REPORT

The Board hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2021.

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 are set out in section headed "Chairman, chief executive officer and president" 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 oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board shall regularly review the contribution from a Director when performing his/her responsibilities to the Company, and whether the Director is spending sufficient time in performing them.

Board Composition

The Board of the Company currently comprises the following Directors:

Executive director

Mr. Wenjie Zhang *(Chairman and chief executive officer)*

Non-executive directors

Mr. Qiyu Chen
Mr. Yifang Wu
Ms. Xiaohui Guan
Dr. Aimin Hui
Mr. Zihou Yan

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 summarized as follows:

Name of Directors	Type of Training[Note]
Executive Director	
Mr. Wenjie Zhang	A&B
Non-executive Directors	
Mr. Qiyu Chen	A&B
Mr. Yifang Wu	A&B
Ms. Xiaohui Guan	A&B
Dr. Aimin Hui	A&B
Mr. Zihou Yan	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

Note:

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 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 for the audit to raise concerns about possible improprieties.

The Audit Committee also held a total of 2 meetings with the external auditors.

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; 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 6 meetings to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the executive Directors and senior management 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 2021.

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, 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 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 Supervisors.

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 authorized 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 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 one meeting in total.

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 13 Board meetings, 4 Audit Committee meetings, 6 Remuneration Committee meetings, 4 Nomination Committee meeting, 2 Strategy Committee meetings, 1 Environmental, Social and Governance Committee meeting and 4 general meetings during the Reporting Period.

The attendance record of the Board meetings and Board committee meetings and the annual general meeting 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	13/13				2/2	1/1	4/4
Mr. Qiyu Chen	13/13			4/4	2/2		4/4
Mr. Yifang Wu	13/13		6/6		2/2		4/4
Ms. Xiaohui Guan	13/13	4/4					4/4
Dr. Aimin Hui	13/13				2/2		4/4
Mr. Zihou Yan	13/13				2/2	1/1	4/4
Mr. Tak Young So	13/13	4/4			2/2	1/1	4/4
Dr. Lik Yuen Chan	13/13	4/4	6/6			1/1	4/4
Dr. Guoping Zhao	13/13			4/4			4/4
Dr. Ruilin Song	13/13		6/6	4/4	2/2	1/1	4/4

Note:

(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.

For the year ended 31 December 2021, the chairman held one meeting with independent non-executive Directors without the presence of other Directors.

RISK MANAGEMENT AND INTERNAL CONTROLS

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 in-house audit department as the full-time internal control agency and internal audit department. The internal control agency and internal audit department implements supervision and management in the course of business operation of the Company. The internal audit department uses the internal auditing technology of the Company to conduct post – 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, enabling the Company to maintain the highest standard of corporate governance and identify and reduce any potential risks.

– the Company has developed adequate and effective risk management procedures and internal control systems based on the corporate governance manual, which are implemented through the Company's daily business and office functions, such as research and development, production, sales, procurement, engineering, 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, connected transactions, notifiable transactions, inside information and directors' securities transactions.

All 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. Self-evaluation has been conducted annually to ensure the proper compliance with control policies by each department.

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 all 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 for the year ended 31 December 2021.

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 practices and all material controls and provided 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 2021, 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 unauthorized access and use of inside information are strictly prohibited.

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 2021.

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 75 to 79.

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 2021 amounted to RMB2,050,000 and RMB978,000 respectively.

An analysis of the remuneration paid to the external auditor of the Company, Ernst & Young, for the year ended 31 December 2021 is set out below:

Service Category	Fees Paid/Payable (RMB)
Audit Services	
—annual audit service	2,050,000
Non-audit Services	
– Interim review service	750,000
– Others	228,000
	3,028,000

JOINT COMPANY SECRETARIES

Mr. Xinjun Guo, the senior vice president of the Company, served as the secretary to the Board and a joint company secretary from 1 January 2021 to 5 November 2021. After the resignation of Mr. Xinjun Guo, Ms. Yan Wang was appointed as the secretary to the Board and a joint company secretary. During the Reporting Period, Ms. Ching Ching Leung of Tricor Services Limited, an external service provider, has been acting as a joint company secretary of the Company. The primary contact person of Ms. Ching Ching Leung was changed from Mr. Xinjun Guo to Ms. Yan Wang with effect from 5 November 2021. For the year ended 31 December 2021, Mr. Guo, Ms. Wang and Ms. Leung undertook not 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

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 of Directors)

Address: 9F, Innov Tower (Capitaland Building), 1801 Hongmei Road, 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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Mr. Wenjie Zhang, aged 55, was appointed as the executive director of the Company on 19 November 2020, and was appointed as the Chairman of the Board on 30 November 2021. Mr. Zhang has been the chief executive officer of the Company since September 2020, responsible for the operation management of the Group. He focuses on building the innovative commercial operation mode of

Mr. Yifang Wu (吳以芳), aged 52, was appointed as a non-executive director of the Company on 12 June 2015. Mr. Wu joined Fosun Pharma Group in April 2004, and was the senior vice president of Fosun Pharma from July 2014 to January 2016, the senior vice president and chief operating officer of Fosun Pharma from January 2016 to June 2016, the president of Fosun Pharma from June 2016

Mr. Zihou Ye **M**

Dr. Lik Yuen Chan (陳力元), aged 53, was appointed as an independent non-executive director of the Company on 2 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 has 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. 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 received a bachelor's degree of medicine and surgery from the Chinese University of Hong Kong in December 1992, a doctor's degree of 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. He is 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. Guoping Zhao (趙國屏), aged 73, was appointed as an independent non-executive director of the Company on 2 September 2019. Dr. Zhao is a molecular microbiologist. Currently, he has been 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).

Previously, Dr. Zhao served various positions related to life science research at the CAS since 1990s, such as 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 January 1997, the researcher and successively as the deputy 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 January 1997 to July 1999, and the researcher and successively as the director of SIBS, CAS from July 1999 to December 2001. Dr. Zhao was elected as a member of the Chinese Academy of Sciences (中國科學院院士) in 2005 and fellow of the Third World Academy of Sciences (第三世界科學院院士) in 2011. Dr. Zhao obtained a bachelor of science degree in micro-biology from Fudan University in Shanghai (復旦大學) 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 59, was appointed as an independent non-executive director of the Company on 2 September 2019. Dr. Song has been the 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; the 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; the 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; the 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; the independent director of Shenzhen Chipscreen Biosciences Co., Ltd.* (深圳微芯生物有限公司) (Star Market of the Shanghai Stock Exchange stock code: 688321) since August 2018; the independent director of Simcere Pharmaceutical Group Limited* (先聲藥業集團有限公司) (Stock Exchange stock code: 02096) since December 2020; the independent 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 the independent director of Mediwelcome Healthcae3ro86) sictor coirector&ealthcaTechnologyealthca

BOARD OF SUPERVISORS

Ms. Rongli Feng (馮蓉麗)

SENIOR MANAGEMENT OF THE GROUP

The chief executive officer, the president and other members of the s.0Ter management of the Group are responsible fer the day-to-day management of the business of the Company. Certain information relating to the chief executive officer and the president are set out in " Board of Directors" above.

Mr. Jun Zhu (**朱俊**), aged 44, has s.rved as the s.0Ter vice president and chief medical officer of Henlius Biopharmaceutical from December 2020 to July 2021, the s.0Ter vice president and chief medical officer of the Company from July 2021 to November 2021, and the president of the Company since November 2021. Mr. Zhu has s.rved as the director of Aton Ruilin since March 2022.

Mr. Zhu has approximately 20 years' experience in biotechnology and pharmaceutical industry. Before joining the Group, Mr. Zhu s.rved as the internal medicine physician in Huashan Hospital affiliated to Fudan University in Shanghai from July 2001 to October 2003, the project manager of IQVIA Holdings Inc. from August 2003 to June 2005, the general manager (Greater China) of Omnicare Clinical Research Inc. from March 2008 to July 2012 and the global vice-president of IQVIA Holding Inc. from August 2012 to January 2017. He was also 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) from February 2018 to August 2020.

Mr. Zhu obtained a bachelor's degree in clinical medicine from Fudan University (復旦大學) in China in July 2001 and an EMBA degree from Cheung Kong Graduate School of Business (長江商學院) in China in September 2018.

Ms. Wei Huang, aged 54, s.rved as the s.0Ter vice president of Henlius Biopharmaceutical from December 2019 to October 2020, the s.0Ter vice president and chief operating officer of the Company since October 2020 and the chairman of the board and general manager of Aton Guangzhou since November 2021.

Ms. Huang has over 25 years of s.0Ter 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. PrTer to joining the Group, Ms. Huang s.rved as a research assistant of Center of Marine Biotechnology from September 1991 to May 1993, the process development engineer of Baxter (AMVAX) Inc. from June 1993 to April 1995, the project manager of New Brunswick Scientific Inc. from May 1995 to July 1996, the process engineer of Fluer Corp. from August 1996 to July 1998, the s.0Ter/chief process engineer of Bechtel Corp. from August 1998 to July 2000, the director of process engineer of Fluer Corp. from August 2000 to May 2008, the vice president of process development and engineering of REG Life Science Inc. from June 2008 to March 2013, the chief consultant of Newa Technology Inc. from April 2013 to December 2019. 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 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 (郭新軍茜獗碓蛅礪甈茱鞢隰笭蛈犨犴焦歺蠖瞭縏笪窱熩犻穈烶酅笋跰璉袖碕稿豽犀爛稿豽褣犴袓斋犷箄紱瑐斋稽燧犀睼矜珽珧耟碇

Mr. Xinlei Li (李鑫磊), aged 40, has been served as the chief financial officer of the Company, Henlius Biopharmaceutical and Henlius Pharmaceutical since December 2020, and was appointed as a director of Henlius Industrial since Febuary 2021. Prior to joining the Group, Mr. Li consecutively served as the business development manager and senior business development manager of Fosun Pharma Industrial Development from October 2008 to December 2011, and he successively served as the senior manager, deputy director, director, assistant to general manager and deputy general manager of investor relations department, and the deputy general manager and general manager of investor relations and capital development department, assistant to the president and general manager of investor relations and capital development department, the vice president and general manager of investor relations and capital development department of Fosun Pharma from January 2012 to December 2020. Mr. Li obtained a bachelor of science degree in Pharmacy from Sichuan University (四川大學) in China in July 2004, a master of science degree from the University of Huddersfield in the United Kingdom in October 2006, and a master's degree from the IMBA Programme of Fudan University – Hong Kong University

INDEPENDENT AUDITOR'S REPORT



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 2021, the expenditure incurred on projects to develop new biopharmaceutical products of RMB772,897,000 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 Summary of Significant Accounting Policies was 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 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 the management.
The disclosures about the capitalisation of development expenditure are included in note 2.4 Summary of Significant 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 RMB1,715,588,000, respectively, as at 31 December 2021. In accordance with IFRSs, the Group is required to perform impairment test for indefinite-life intangible assets and deferred development costs at least on an annual basis. The impairment test is based on the recoverable amount of each individual asset. This matter was significant to our audit because the impairment test 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 the 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 Summary of Significant 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 2021, the Group recognised revenue of license and research and development services from the Contracts amounting to RMB74,222,000 and RMB112,873,000, respectively. As part of accounting for revenue recognition under the Contracts, significant management's judgements and estimations are involved to identify the performance obliEf the pms amounte]TJ-0.0-15.525 -1.4whet3 Tm[T6 (he p ea0.5 (earc0.6 (he per)075 (f)0.6 (o(	

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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
16 March 2022

Year ended 31 December 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
LOSS FOR THE YEAR	**(984,052)**	(993,541)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(448)**	(1,770)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(448)**	(1,770)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(984,500)**	(995,311)
ATTRIBUTABLE TO:		
Owners of the parent	**(984,500)**	(995,311)
Non-controlling interests	**–**	–
	(984,500)	(995,311)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,228,885**	984,909
Intangible assets	15	**3,634,931**	2,942,454
Right-of-use assets	16	**438,201**	452,279
Other non-current assets	17	**223,668**	149,540
Total non-current assets		**5,525,685**	4,529,182
CURRENT ASSETS			
Inventories	18	**420,112**	305,224
Trade receivables	19	**295,741**	196,213
Prepayments, deposits and other receivables	20	**223,973**	294,248
Cash and bank balances	21	**707,333**	1,114,309
Total current assets		**1,647,159**	1,909,994
CURRENT LIABILITIES			
Trade payables	22	**383,470**	298,952
Other payables and accruals	23	**867,278**	439,845
Contract liabilities	24	**138,303**	52,225
Interest-bearing bank and other borrowings	25	**1,570,674**	1,188,486
Total current liabilities		**2,959,725**	1,979,508
NET CURRENT LIABILITIES		**(1,312,566)**	(69,514)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,213,119**	4,459,668
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	**1,052,263**	645,131
Other long-term payables	26	**54,425**	–
Contract liabilities	24	**653,934**	520,870
Deferred income	28	**155,741**	94,895
Total non-current liabilities		**1,916,363**	1,260,896
Net assets		**2,296,756**	3,198,772
EQUITY			
Share capital	29	**543,495**	543,495
Reserves	30	**1,753,261**	2,655,277
Equity attributable to owners of the parent and total equity		**2,296,756**	3,198,772

Zhang Wenjie
Chairman of the Board of Directors
Chief Executive Officer
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	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 2020	543,495	5,737,861	(482,501)	(803)	(1,797,637)	4,000,415
Loss for the year	–	–	–	–	(993,541)	(993,541)
Other comprehensive loss for the year:						
Exchange differences related to foreign operations	–	–	–	(1,770)	–	(1,770)
Total comprehensive loss for the year	–	–	–	(1,770)	(993,541)	(995,311)
The vesting of restricted shares (note 31)	–	216,375	(68,758)	–	–	147,617
Equity-settled share-based payments (note 31)	–	–	46,051	–	–	46,051
At 31 December 2020	543,495	5,954,236	(505,208)	(2,573)	(2,791,178)	3,198,772

	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 2021	**543,495**	**5,954,236**	**(505,208)**	**(2,573)**	**(2,791,178)**	**3,198,772**
Loss for the year	**–**	**–**	**–**	**–**	**(984,052)**	**(984,052)**
Other comprehensive loss for the year:						
Exchange differences related to foreign operations	**–**	**–**	**–**	**(448)**	**–**	**(448)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(448)**	**(984,052)**	**(984,500)**
The vesting of restricted shares (note 31)	**–**	**55,356**	**(26,362)**	**–**	**–**	**28,994**
Equity-settled share-based payments (note 31)	**–**	**–**	**53,490**	**–**	**–**	**53,490**
At 31 December 2021	**543,495**	**6,009,592**	**(478,080)**	**(3,021)**	**(3,775,230)**	**2,296,756**

* These reserve accounts comprise the consolidated other reserves of RMB1,753,261,000 (2020: RMB2,655,277,000) in the consolidated statement of financial position.

Year ended 31 December 2021

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**2,095,706**	1,442,991
Repayment of bank and other borrowings		**(1,295,651)**	(335,284)
Principal portion of lease payments	16(b)	**(68,390)**	

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

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 "

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
Henlius Industrial Co., Limited. (復宏漢霖實業有限公司)	Hong Kong, 19 February 2021, limited liability company	Registered share capital of Hong Kong Dollar ("HKD") 10,000,000	100%	–	Biopharmaceutical R&D and biopharmaceutical service
Aton (Guangzhou) Biotech Co., Ltd.* (安騰(廣州)生物技術有限公司)*	Guangdong, PRC 22 November 2021, limited liability company	Registered share capital of Renminbi ("RMB") nil/200,000,000	100%	–	Biopharmaceutical R&D and biopharmaceutical service
Shanghai Jollin Tech Co., Ltd., (上海佐臨生物科技有限公司)*	Shanghai, PRC 22 December 2021, limited liability company	Registered share capital of Renminbi ("RMB") nil/20,000,000	100%	–	Biopharmaceutical R&D and biopharmaceutical service

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

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 RMB1,312,566,000 as at 31 December 2021. Having taken into account the unused banking facilities and the expected cash flows from operating and financing activities, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

2.1 BASIS OF PREPARATION *(CONTINUED)*

Basis of consolidation *(CONTINUED)*

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 (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39, IFRS 7 IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 or IAS 39 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in RMB based on the Loan Prime Rate ("LPR") as at 31 December 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

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

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,4]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS9 – Comparative Information*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

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 between an investor and its associate or joint venture 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 in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* 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 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

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

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Fair value measurement *(CONTINUED)*

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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, financial assets 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 is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT 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:

Plant and machinery	9.5%-19%
Motor vehicles	19%
Office and other equipment	9.5%-19%
Electronic equipment	9.5%-19%
Leasehold improvements	10%-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 represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress 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.

2.4 SUMMARY OF SIGNIFICANT 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

2.4 SUMMARY OF SIGNIFICANT 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

liabilities-1.iduallow-

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Derecognition of financial assets *(CONTINUED)*

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.

2.4 SUMMARY OF SIGNIFICANT 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,

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(CONTINUED)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(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

(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.

Revenue recognition

Revenue from contracts with customers

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(CONTINUED)*

Revenue from contracts with customers *(CONTINUED)*

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in 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 give 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 commercialization 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 tion stanc 0 -2.esearc8f ftnsfebcertduring the

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payments

The Group operates several share-award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration 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 31 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 are 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.

2.4 SUMMARY OF SIGNIFICANT 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. 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.

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).

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies *(CONTINUED)*

Thescnsulting exchange differences arescncognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation isscncognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Thespreparation of the Group's financial statementsscnquicns management to make judgements, estimates and assumptions that affect the reported amountssof revenues, expenses, assetssand liabilities, and their accompanying disclosures, and thesdisclosure of contingent liabilities. Uncertainty about these assumptions and estimates could cnsult in outcomes that could cnquicn a material adjustment to thescarrying amountssof thesassetssor 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 amountsscncognised in the financial statements:

Revenue from contracts with customers

ThesGroup applied the following judgements that significantly affect the determination of thesamount 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

ThesGroup have certain contracts which provide the License together with cnsearch and development service to a customer. ThesGroup determined that both the License and cnsearch and development services arescapable of being distinct. The Group also determined that thespromises to transfer thesLicense and provide cnsearch and development services are distinct within the contextsof the contract. ThesGroup is not providing a significant integration service because the pcnsence of thesLicense and cnsearch and development services together in thescontcact does not cnsult in any additional orscombined functionality and neither thesLicense nor thescnsearch and development modifiessor customises thesother. In addition, thes License and cnsearch and development services are not highly interdependent orshighly interrelated, because thesGroup would be able to transfer thesLicense even if thescustomer declined cnsearch and development service and would be able to provide cnsearch and development service if other distributors have such request. Consequently, thesGroup has allocateds a portion of thestransaction price to thesLicense and thescnsearch and development services based on relative standalone selling prices.

(b) Determining the timing of satisfaction of the License

ThesGroup concluded that forsthesLicense which would be significantly affected bysthesactivities undertaken by thesGroup,s such as being thesexclusive supplier of certain biopharmaceutical products cnlatedsto thesLicense, thescustomers get a rights to access thesLicense, the revenue is recognised overtime during thesexpected commercialisation period of thescnlated biopharmaceutical products. ThesGroup determined that thesoutput method is thesbest method in measuring thesprogcnss of thesLicense because there is a relationship between thesGroup's output and thestransfer of thesLicense to thescustomers.s ThesGroup cncognises revenuesonsthesbasis of the output happened cnlative to the total expected output during the expected commercialisation period.

ForsthesLicense which thescustomer gets a rightsto use thesLicense, revenuesforsthesLicense is cncognised atsthespoint of time when the control of thesLicense is transferred to thescustomer and thescustomer is able to consume and benefit from thesLicense.

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

Judgements *(CONTINUED)*

Revenue from contracts with customers *(CONTINUED)*

(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.

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).

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

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

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (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 is disclosed in note 19 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 ("

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

Estimation uncertainty *(CONTINUED)*

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. For the year ended 31 December 2021, impairment losses on deferred development costs in the amount of RMB28,848,000 have been recognised in profit or loss as set out in note 7 to the financial statements.

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 27 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, 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

	2021 RMB'000	2020 RMB'000
Mainland China	**1,515,645**	455,470
Europe	**109,541**	112,196
Asia Pacific (excluding Mainland China)	**57,286**	19,908
Other regions	**—**	12
	1,682,472	587,586

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

(b) Non-current assets

	2021 RMB'000	2020 RMB'000
Mainland China	**5,430,594**	4,412,807
Overseas	**95,091**	116,375
	5,525,685	4,529,182

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:

	2021 RMB'000
Customer A	534,538
Customer B	458,237
	992,775

	2020 RMB'000
Customer A	273,079
Customer B	112,196
Customer C	61,397
	446,672

5. REVENUE

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	1,682,472	587,574
Revenue from other sources		
Gross rental income from operating leases	–	12
	1,682,472	587,586

5. REVENUE *(CONTINUED)*

Revenue from contracts with customers *(CONTINUED)*

(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 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

7. LOSS BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Cost of inventories sold		**396,900**	168,526
Cost of services provided		**125,848**	13,593
Depreciation of property, plant and equipment*			

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000	2020 RMB'000
Interest expense on bank and other borrowings	**78,505**	30,119
Interest expense on lease liabilities (note 16(b))	**16,649**	16,230
Less: Interest capitalised (note 14)	**(10,334)**	(2,644)
	84,820	43,705

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:

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
2021						
Executive director						
Mr. Wenjie Zhang[1]	–	–	–	–	–	–
	–	–	–	–	–	–
Non-executive directors						
Mr. Qiyu Chen[2]	–	–	–	–	–	–
Mr. Yifang Wu	–	–	–	–	–	–
Dr. Aimin Hui	–	–	–	–	–	–
Ms. Xiaohui Guan	–	–	–	–	–	–
Mr. Zihou Yan	–	–	–	–	–	–
	–	–	–	–	–	–
Supervisors						
Ms. Rongli Feng	–	–	–	–	–	–
Mr. Deli Kong	–	–	–	–	–	–
Ms. Junhong Liu	–	847	194	–	–	1,041
	–	847	194	–	–	1,041
Chief executive						
Mr. Wenjie Zhang[1]	–	6,120	960	–	20,962	28,042
	–	6,120	960	–	20,962	28,042
	–	6,967	1,154	–	20,962	29,083

(1) Mr. Wenjie Zhang ("Mr. Zhang"), the executive director and Chief Executive Officer of the Company, has been elected as the Chairman of the Board, a member and the chairman of the Nomination Committee and chairman of the Strategy Committee with effect from 30 November 2021; Mr. Zhang resigned as the President of the Company with effect from 30 November 2021.

(2) Mr. Qiyu Chen ("Mr. Chen") resigned as the Chairman of the Board, a member and the chairman of the Nomination Committee and the chairman of the Strategy Committee with effect from 30 November 2021. Mr. Chen will continue to act as a non-executive director and a member of the Strategy Committee of the Company.

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2020:Nil).

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

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

(b) Executive directors, non-executive directors, supervisors and the chief executives *(CONTINUED)*

(1) Dr. Scott Shi-Kau Liu resigned as an executive director and the chief executive officer of the Company in September 2020.

(2) Mr. Wenjie Zhang was appointed as the chief executive officer of the Company in September 2020 and was appointed as an executive director of the Company in November 2020.

(3) Mr. Zihou Yan was appointed as a non-executive director of the Company in February 2020.

(4) Mr. Jiemin Fu resigned as a non-executive director of the Company in February 2020.

(5) Ms. Rongli Feng was appointed as a supervisor of the Company in May 2020.

(6) Mr. Yong Zhou resigned as a supervisor and the chairman of the Board of Supervisors of the Company in February 2020.

10. FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

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	
	2021	2020
	RMB'000	RMB'000
Nil to RMB1,000,000	**–**	–
RMB3,000,001 to RMB3,500,000	**–**	2
RMB5,000,001 to RMB5,500,000	**1**	1
RMB6,000,001 to RMB6,500,000	**1**	–
RMB8,000,001 to RMB8,500,000	**1**	–
RMB9,000,001 to RMB9,500,000	**1**	–
	4	3

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 31 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% (2020: 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 Taiwan Henlius and Hengenix, is based on the statutory rates of 20% and 29.84%, respectively (2020: 20%, 29.84%, respectively), for the year ended 31 December 2021. The provision for current income tax of Henlius Industrial is based on the statutory rates of 8.25% for the year ended 31 December 2021.

	2021	2020
	RMB'000	RMB'000
Current – Mainland China	**27,313**	–
Total tax charged for the year	**27,313**	–

11. INCOME TAX *(CONTINUED)*

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 2021

	Chinese Mainland RMB'000	Other countries and regions RMB'000	Total RMB'000
Loss before tax	**(846,780)**	**(109,959)**	**(956,739)**
Tax at the statutory tax rate	**(211,695)**	**(31,553)**	**(243,248)**
Lower tax rate for a specific entity	**74,359**	**–**	**74,359**
Withholding income tax paid	**27,313**	**–**	**27,313**
Expenses not deductible for tax	**5,118**	**4**	**5,122**
Additional deductible allowance for R&D expenses	**(75,548)**	**–**	**(75,548)**
Utilisation of the unrecognised tax losses	**(69,523)**	**–**	**(69,523)**
Deductible temporary differences and tax losses not recognised	**277,289**	**31,549**	**308,838**
Tax charge at the effective rate	**27,313**	**–**	**27,313**

Year ended 31 December 2020

	Chinese Mainland RMB'000	Other countries and regions RMB'000	Total RMB'000
Loss before tax	(955,581)	(37,960)	(993,541)
Tax at the statutory tax rate	(238,895)	(11,728)	(250,623)
Lower tax rate for a specific entity	90,690	–	90,690
Expenses not deductible for tax	6,328	10	6,338
Deductible temporary differences and tax losses not recognised	141,877	11,718	153,595
Tax charge at the effective rate	–	–	–

12. DIVIDENDS

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

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 538,836,373 (2020: 529,574,066) in issue during the year.

The calculation of the diluted loss per share amounts is based on the 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 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 per share are based on:

	2021 **RMB'000**	2020 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(984,052)**	(993,541)

14. PROPERTY, PLANT AND EQUIPMENT

	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 2021							
At 1 January 2021:							
Cost	622,761	4,029	909	58,601	245,700	283,609	1,215,609
Accumulated depreciation	(147,330)	(2,552)	(574)	(19,036)	(61,208)	–	(230,700)
Net carrying amount	475,431	1,477	335	39,565	184,492	283,609	984,909
At 1 January 2021, net of accumulated depreciation	475,431	1,477	335	39,565	184,492	283,609	984,909
Additions	55,745	378	–	14,096	45,706	250,773	366,698
Disposals	(7,260)	(1,077)	(1)	(109)	(3,603)	–	(12,050)
Depreciation provided during the year	(68,580)	(187)	(100)	(10,948)	(29,837)	–	(109,652)
Transfers	124,000	–	揭緒8．859+				

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 2020							
At 1 January 2020:							
Cost	425,803	1,324	958	46,910	141,571	37,937	654,503
Accumulated depreciation	(99,436)	(816)	(625)	(13,172)	(39,741)	–	(153,790)
Net carrying amount	326,367	508	333	33,738	101,830	37,937	500,713
At 1 January 2020, net of accumulated depreciation	326,367	508	333	33,738	101,830	37,937	500,713
Additions	170,240	346	127	15,822	106,058	274,769	567,362
Disposals	(286)	(66)	–	(1)	(378)	–	(731)
Depreciation provided during the year	(49,977)	(198)	(103)	(8,009)	(21,705)	–	(79,992)
Transfers	29,097	–	–	–	–	(29,097)	–
Exchange rate fluctuation	(10)	887	(22)	(1,985)	(1,313)	–	(2,443)
At 31 December 2020, net of accumulated depreciation	475,431	1,477	335	39,565	184,492	283,609	984,909
At 31 December 2020:							
Cost	622,761	4,029	909	58,601	245,700	283,609	1,215,609
Accumulated depreciation	(147,330)	(2,552)	(574)	(19,036)	(61,208)	–	(230,700)
Net carrying amount	475,431	1,477	335	39,565	184,492	283,609	984,909

As at 31 December 2021, the carrying amounts of construction in progress of the Group included capitalised interest of approximately RMB12,978,000 (31 December 2020: RMB2,644,000).

As at 31 December 2021, the Group's construction in progress with a carrying amount of RMB364,084,000 (2020: nil) was – pledged as security for the Group's interest-bearing bank and other borrowings, as further detailed in note 25 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 2021					
Cost at 1 January 2021, net of accumulated amortisation	**48,921**	**22,448**	**1,468,760**	**1,402,325**	**2,942,454**
Additions	**–**	**10,134**	**772,897**	**11,312**	**794,343**
Disposals	**–**	**–**	**(4,256)**	**–**	**(4,256)**
Impairments	**–**	**–**	**(28,848)**	**–**	**(28,848)**
Transfers	**–**	**–**	**(492,965)**	**492,965**	**–**
Amortisation during the year	**–**	**(3,617)**	**–**	**(65,141)**	**(68,758)**
Exchange rate fluctuation	**–**	**(4)**	**–**	**–**	**(4)**
At 31 December 2021:	**48,921**	**28,961**	**1,715,588**	**1,841,461**	**3,634,931**
At 31 December 2021					
Cost	**48,921**	**37,844**	**1,744,436**	**1,955,950**	**3,787,151**
Accumulated amortisation	**–**	**(8,883)**	**–**	**(114,489)**	**(123,372)**
Accumulated impairment	**–**	**–**	**(28,848)**	**–**	**(28,848)**
Net carrying amount	**48,921**	**28,961**	**1,715,588**	**1,841,461**	**3,634,931**
31 December 2020					
Cost at 1 January 2020, net of accumulated amortisation	48,921	14,242	1,775,660	336,326	2,175,149
Additions	–	10,522	859,303	–	869,825
Disposals	–	–	(65,388)	–	(65,388)
Transfers	–	–	(1,100,815)	1,100,815	–

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 3% (2020: 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 2021	31 December 2020
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.

Impairment provision of RMB28,848,000 was provided for the deferred development costs based on specific review of fair values less costs of disposal of the assets as at 31 December 2021.

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 2021	31 December 2020
Discount rates	**16.00%-17.00%**	16.00%-17.00%
Contributory asset charges	**2.09%-3.73%**	1.10%-1.51%

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 2021

	Land RMB'000	Plant and machinery RMB'000	Total RMB'000
As at 1 January 2021	205,303	246,976	452,279
Additions	–	53,121	53,121
Depreciation charge	(4,233)	(61,531)	(65,764)
Exchange rate fluctuation	–	(1,435)	(1,435)
As at 31 December 2021	201,070	237,131	438,201

31 December 2020

	Land RMB'000	Plant and machinery RMB'000	Total RMB'000
As at 1 January 2020	209,536	147,142	356,678
Additions	–	166,035	166,035
Disposals	–	(9,066)	(9,066)
Depreciation charge	(4,233)	(57,288)	(61,521)
Exchange rate fluctuation	–	153	153
As at 31 December 2020	205,303	246,976	452,279

At 31 December 2021, the Group's right-of-use assets with a carrying amount of RMB201,070,000 (2020: RMB205,303,000) were pledged as security for the Group's interest-bearing bank and other borrowings, as further detailed in note 25 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:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**292,975**	178,262
New leases	**53,121**	166,035
Accretion of interest recognised during the year	**16,649**	16,230
Disposals	**–**	(9,973)
COVID-19-related rent concessions from lessors	**–**	(81)
Payments	**(68,390)**	(57,258)
Exchange rate fluctuation	**(1,605)**	(240)
Carrying amount at 31 December	**292,750**	292,975
Analysed into:		
Current portion	**74,187**	72,041
Non-current portion	**218,563**	220,934

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**16,649**	16,230
Depreciation charge of right-of-use assets	**49,607**	39,949
Expense relating to short-term leases and leases of low-value assets	**5,093**	3,774
COVID-19-related rent concessions from lessors	**–**	(81)
Gain on disposal of items of right-of-use assets	**–**	(907)
Total amount recognised in profit or loss	**71,349**	58,965

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 32(c) and 34(b), respectively, to the financial statements.

17. OTHER NON-CURRENT ASSETS

	2021 RMB'000	2020 RMB'000
Prepayment for non-current assets	**223,668**	149,540

18. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**229,984**	144,891
Work in progress	**126,196**	136,114
Finished goods	**72,686**	25,407
Provision	**(8,754)**	(1,188)
	420,112	305,224

19. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**301,201**	201,499
Impairment	**(5,460)**	(5,286)
	295,741	196,213

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.

At 31 December 2021, the Group's trade receivables with the amount of RMB69,444,000 (2020: RMB4,300,000) were pledged as security for the Group's interest-bearing bank and other borrowings, as further detailed in note 25 to the financial statements.

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:

	2021 RMB'000	2020 RMB'000
Within 3 months	**295,741**	196,213

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 RMB'000	2020 RMB'000
At the beginning of year	**5,286**	5,300
Impairment losses, net	**174**	(14)
At the end of year	**5,460**	5,286

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. As at 31 December 2021, the Group(asse1)-1.1 (20031 t..5 (he sa00311)-0.6 (De65 479.696n)-1 (rad1)-0.6e receivaber)-3.7

21. CASH AND BANK BALANCES

	2021 RMB'000	2020 RMB'000
Cash on hand	1	1
Bank balances	707,332	1,114,308
Cash and bank balances	707,333	1,114,309
Less: Pledged for letter of credit	(1,741)	–
Restricted cash for investments	(550,610)	–
	(552,351)	–
Cash and cash equivalents	154,982	1,114,309

The Group's cash and bank balances as at the end of each reporting period are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
Denominated in RMB	116,978	251,058
Denominated in USD	580,571	857,336
Denominated in EUR	217	1,507
Denominated in HKD	7,297	1,254
Denominated in NTD	2,270	3,154
	707,333	1,114,309

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying

22. TRADE PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	**383,470**	298,952

25. INTEREST-BEARING BANK AND OTHER BORROWINGS *(CONTINUED)*

26. OTHER LONG-TERM PAYABLES

	2021 RMB'000	2020 RMB'000
Payroll and welfare payables	**54,425**	–

27. DEFERRED TAX

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	2021 RMB'000	2020 RMB'000
Tax losses	**2,827,883**	2,260,418
Deductible temporary difference	**2,420,577**	1,104,143
	5,248,460	3,364,561

The unused tax losses expire as follows:

	2021 RMB'000	2020 RMB'000
Less than five years	**313,419**	230,868
	2,827,883	2,260,418

Year ended 31 December 2021

31. 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 unlocked (or repurchased and cancelled by the Company) in three tranches upon the expiry of each lock-up 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 unlocking period. The eligible participants include the members of the senior management of the Company and the core technical personnel of the Company and its subsidiaries. Details of the unlocking date are summarised as follows:

Type of eligible participants	% of conditional shares	Unlocking date	% of unlocked 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 unlocked or otherwise repurchased and cancelled.

31. 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 2020	22,750,000
Forfeited during the year	(2,780,700)
Unlocked during the year	(16,027,813)
At 31 December 2020 and 1 January 2021	3,941,487
Forfeited during the year	(156,050)
Unlocked during the year	(1,624,737)
At 31 December 2021	**2,160,700**

31. 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 unlocked 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 unlocked (or repurchased and cancelled by the Company) in two tranches upon the expiry of each lock-up period. The eligible participants include the members of the senior management of the Company and the core technical personnel of the Company and its subsidiaries. Details of the unlocking date are summarised as follows:

Type of eligible participants	% of conditional shares	Unlocking date	% of unlocked 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 unlocked 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 2020	—
Granted during the year	2,780,700
At 31 December 2020 and 1 January 2021	2,780,700
Forfeited during the year	(375,000)
Unlocked during the year	(1,257,420)
At 31 December 2021	**1,148,280**

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 on the 2020 Share Award Scheme.

31. SHARE AWARD SCHEME *(CONTINUED)*

2021 Share Award Scheme

The Group adopted a share award scheme (the "2021 Share Award Scheme") for the purpose of motivating the directors and key

31. SHARE AWARD SCHEME *(CONTINUED)*

2021 Share Award Scheme *(CONTINUED)*

The Group has recognised expenses of RMB47,705,000, deferred development costs of RMB4,806,000, cost of sales of RMB712,000 and inventories of RMB267,000 for the year ended 31 December 2021 in respect of the 2018 Share Award Scheme, the 2020 Share Award Scheme and the 2021 Share Award Scheme (2020: The Group has recognised expenses of RMB33,070,000, deferred development costs of RMB9,591,000, cost of sales of RMB2,661,000, inventories of RMB529,000, property, plant and equipment – construction in progress of RMB200,000).

As at the end of the year, 3,574,020 ordinary shares were still locked, and the related other payables and accruals due from the repurchase obligation were RMB32,917,000 (note 23).

32. 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 RMB53,121,000 (2020: RMB166,035,000) and RMB53,121,000 (2020: RMB166,035,000), respectively, and no non-cash disposals to right-of-use assets (2020: RMB9,973,000) 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
2021			
At 1 January 2021	**1,540,642**	**292,975**	**672**
New leases	**–**	**53,121**	**–**
Changes from financing cash flows	**800,055**	**(68,390)**	**(83,204)**
Government grants	**(8,393)**	**–**	**–**
Foreign exchange movement	**(2,648)**	**(1,605)**	**–**
Interest capitalised	**–**	**–**	**15,467**
Interest expense	**531**	**16,649**	**67,640**
At 31 December 2021	**2,330,187**	**292,750**	**575**
2020			
At 1 January 2020	431,127	178,262	3,920
New leases	–	166,035	–
Changes from financing cash flows	1,107,707	(57,258)	(28,338)
Disposals	–	(9,973)	–
COVID-19-related rent concessions from lessors	–	(81)	–
Foreign exchange movement	(577)	(240)	–
Interest expense	2,385	16,230	25,090
At 31 December 2020	1,540,642	292,975	672

32. 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:

	2021 RMB'000	2020 RMB'000
Within operating activities	**5,093**	3,774
Within investing activities	**842**	—
Within financing activities	**68,390**	57,258
	74,325	61,032

33. 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 21 and 25, respectively, to the financial statements.

34. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
plant and machinery	**463,067**	697,843

(b) The Group did not have any lease contracts that have not yet commenced as at 31 December 2021. The Group has various lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for non-cancellable lease contracts are RMB3,180,000 due within one year, and RMB16,124,000 due in the second to fifth years, inclusive and nil due after five years.

(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.

35. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any contingent liabilities.

36. 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
Scott Shi-Kau Liu	Shareholder of the 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
Gland Pharma Limited (“Gland Pharma”)	Fellow subsidiary
Shanghai Xin Shihua Investment Management Co., Ltd.* (“上海新施華投資管理有限公司”) (“Xin Shihua”)	Fellow subsidiary
Shanghai Fudehui Trading Co., Ltd.* (“上海復得惠貿易有限公司”) (“Shanghai Fudehui”)	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
Shanghai Yilian Enterprise Management Co., Ltd.* (“上海一鏈企業管理有限公司”) (“Shanghai Yilian”)	Fellow subsidiary
Shanghai Old Town God’s Temple Food Sales Co., Ltd.* (“上海老城隍廟食品銷售有限公司”) (“Old Town God’s Temple”)	Fellow subsidiary
Shanghai Zhiqia Information Technology Service Co., Ltd.* (“上海智洽信息科技服務有限公司”) (“Shanghai Zhiqia”)	Fellow subsidiary
Beijing Highland Property Management Co., Ltd.* (“北京高地物業管理有限公司”) (“Beijing Highland”)	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
Kuyi International Travel Service (Shanghai) Co., Ltd.* (“酷怡國際旅行社(上海)有限公司”) (“Kuyi Travel”)	Fellow subsidiary
Hainan Fosun Trade Co., Ltd.* (“海南復星商社貿易有限公司”) (“Fosun Trade”)	Fellow subsidiary
Hangzhou Dongjia Trade Co., Ltd.* (“杭州東加商貿有限公司”) (“Dongjia Trade”)	Fellow subsidiary
Zhejiang Fuyi cosmetics Co., Ltd.* (“浙江復逸化妝品有限公司”) (“Zhejiang Fuyi”)	Fellow subsidiary
Shanghai Yunji Information Technology Co., Ltd.* (“上海雲濟信息科技有限公司”) (“Shanghai Yunji”)	Fellow subsidiary

Name	Relationship with the Group
Shanghai Xingjing Enterprise Management Consulting Co., Ltd.* (“上海星競企業管理諮詢有限公司”) (“Shanghai Xingjing”)	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”)	Associate of the ultimate parent company
Yong’an Property Insurance Co., Ltd.* (“永安財產保險股份有限公司”) (“Yong’an Property”)	Associate of the ultimate holding company
Fosun United Health Insurance Co., Ltd.* (“復星聯合健康保險股份有限公司”) (“Fosun United”)	Associate of the ultimate holding company

* 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.

(b) Transactions with related parties

	Notes	2021 RMB’000	2020 RMB’000
Licensing revenue provided to related parties			
Fosun Pharma Industrial Development	(i)	**10,398**	10,398
Jiangsu Wanbang	(i)	**981**	359
		11,379	10,757
Services provided to related parties			
Fosun Pharma Industrial Development	(ii)	**–**	154
Kai Mao Bio-pharma	(ii)	**–**	37
		–	191
Sales of goods to related parties			
Jiangsu Fosun	(iii),(v)	**534,538**	273,079
Sinopharm	(iii),(v)	**458,237**	61,397
Chongqing Pharma	(iii)	**32,946**	7,933
		1,025,721	342,409
Sales of materials to related parties			
Fosun Pharma Industrial Development	(iii)	**–**	65

36. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Transactions with related parties *(CONTINUED)*

	Notes	2021 RMB'000	2020 RMB'000
Services purchased from related parties			
Jiangsu Fosun	(iv),(v)	**9,739**	56
Clone High Tech	(iv)	**391**	153
Old Temple Gold	(iv),(v)	**633**	185
Fosun Trade	(iv)	**501**	–
Kai Mao Bio-pharma	(iv)	**424**	253
Fosun USA	(iv)	**339**	664
Dongjia Trade	(iv)	**246**	–
Shanghai Xingfu	(iv)	**213**	581
Zhejiang Fuyi	(iv)	**162**	–
Shanghai Fudehui	(iv),(v)	**123**	235
Jiangsu Wanbang	(iv)	**–**	1,026
Scott Shi-Kau Liu	(iv)	**–**	969
Fosun Pharma	(iv),(v)	**–**	237
Gland Pharma	(iv)	**–**	163
Fosun United	(iv)	**–**	124
Others	(iv),(v)	**206**	207
		12,977	4,853
Purchase of materials from Sinopharm	(iv),(v)	**3,097**	2,292
Purchase of SAP software from Fosun Pharma	(iv)	**–**	3,326
Purchase of right-of-use assets from Clone High Tech	(iv),(v)	**31,233**	41,996
Rental services provided by			
Kai Mao Bio-pharma	(iv)	**–**	57
Xin Shihua	(iv)	**–**	35
		–	92

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 sales of biopharmaceutical products and materials 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.

36. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Transactions with related parties *(CONTINUED)*

Notes: *(Continued)*

36. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(d) Compensation of key management personnel of the Group

	2021 RMB'000	2020 RMB'000
Fees	**996**	1,060
Other emoluments:		
Salaries, allowances and benefits in kind	**28,567**	19,038
Performance related bonuses	**7,549**	8,399
Staff welfare expenses	**–**	–
Share award scheme	**35,834**	12,266
Total compensation paid to key management personnel	**72,946**	40,763

Further details of Directors', supervisors' and chief executives' remuneration are included in note 9 to the financial statements.

37. 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:

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group'

39. 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

39. 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 and RMB exchange rate and in the USD and NTD exchange rate, with all other variables held constant, of the Group's 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 2021		
If the RMB weakens against the USD	**5**	**30,677**
If the RMB strengthens against the USD	**(5)**	**(30,677)**
If the NTD weakens against the USD	**5**	**638**
If the NTD strengthens against the USD	**(5)**	**(638)**
Year ended 31 December 2020		
If the RMB weakens against the USD	5	40,999
If the RMB strengthens against the USD	(5)	(40,999)
If the NTD weakens against the USD	5	232
If the NTD strengthens against the USD	(5)	(232)

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.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Credit risk *(CONTINUED)*

Maximum exposure and year-end staging *(CONTINUED)*

As at 31 December 2021

	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*	–	–	–	301,201	301,201
Financial assets included in prepayments, deposits and other receivables					
– Normal**	34,985	–	–	–	34,985
Restricted cash for investment					
– Not yet past due	552,351	–	–	–	552,351
Cash and cash equivalents					
– Not yet past due	154,982	–	–	–	154,982

As at 31 December 2020

	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*	–	–	–	201,499	201,499
Financial assets included in prepayments, deposits and other receivables					
– Normal**	23,996	–	–	–	23,996
Cash and cash equivalents					
– Not yet past due	1,114,309	–	–	–	1,114,309

* For trade receivables 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.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Credit risk *(CONTINUED)*

Maximum exposure and year-end staging *(CONTINUED)*

At the end of the reporting period, the Group had certain concentrations of credit risk as 20% (2020: 40%) and 50% (2020: 62%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

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 2021

	On demand or within one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
Trade payables	**383,470**	**–**	**–**	**383,470**
Financial liabilities included in other payables and accruals	**217,389**	**–**	**–**	**217,389**
Lease liabilities	**78,079**	**198,825**	**50,760**	**327,664**
Interest-bearing bank and other borrowings (excluding lease liabilities)	**1,521,333**	**351,773**	**681,691**	**2,554,797**
	2,200,271	**550,598**	**732,451**	**3,483,320**

31 December 2020

	On demand or within one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
Trade payables	298,952	–	–	298,952
Financial liabilities included in other payables and accruals	162,401	–	–	162,401
Lease liabilities	83,738	195,827	75,399	354,964
Interest-bearing bank and other borrowings (excluding lease liabilities)	1,139,042	278,084	218,816	1,635,942
	1,684,133	473,911	294,215	2,452,259

39. 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 2021 and 31 December 2020.

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:

	2021 RMB'000	2020 RMB'000
Interest-bearing bank and other borrowings (note 25)	**2,622,937**	1,833,617
Less: Cash and cash equivalents	**154,982**	1,114,309
Net debt	**2,467,955**	719,308
Equity attributable to owners of the parent	**2,296,756**	3,198,772
Capital and net debt	**4,764,711**	3,918,080
Gearing ratio	**52%**	18%

40. 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.

41. 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:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**199,440**	177,791
Intangible assets	**2,878,981**	2,513,534
Investments in subsidiaries	**1,524,838**	2,175,230
Right-of-use assets	**56,670**	70,669
Other non-current assets	**3,178**	2,414
Total non-current assets	**4,663,107**	4,939,638
CURRENT ASSETS		
Trade receivables	**65,145**	81,733
Prepayments, deposits and other receivables	**901,711**	1,098,362
Cash and cash balances	**593,503**	947,460
Total current assets	**1,560,359**	2,127,555
CURRENT LIABILITIES		
Trade payables	**305,178**	229,978
Other payables and accruals	**479,965**	402,912
Contract liabilities	**77,988**	52,225
Interest-bearing bank and other borrowings	**708,243**	788,052
Total current liabilities	**1,571,374**	1,473,167
NET CURRENT (LIABILITIES)/ASSETS	**(11,015)**	654,388
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,652,092**	5,594,026
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**241,758**	145,639
Other long-term payables	**27,871**	–
Contract liabilities	**487,708**	520,870
Deferred income	**66,031**	56,083
Total non-current liabilities	**823,368**	722,592
Net assets	**3,828,724**	4,871,434
EQUITY		
Share capital	**543,495**	543,495
Reserves (Note)	**3,285,229**	4,327,939
Total equity	**3,828,724**	4,871,434

41. 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 2020	5,737,861	23,912	(987,309)	4,774,464
Loss for the year	–	–	(640,193)	(640,193)
The vesting of restricted shares	216,375	(68,758)	–	147,617
Equity-settled share-based payments	–	46,051	–	46,051
At 31 December 2020 and 1 January 2021	**5,954,236**	**1,205**	**(1,627,502)**	**4,327,939**
Loss for the year	**–**	**–**	**(1,125,194)**	**(1,125,194)**
The vesting of restricted shares (note 31)	**55,356**	**(26,362)**	**–**	**28,994**
Equity-settled share-based payments (note 31)	**–**	**53,490**	**–**	**53,490**
At 31 December 2021	**6,009,592**	**28,333**	**(2,752,696)**	**3,285,229**

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 16 March 2022.

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 Participants"	employees of the Company or its subsidiaries who will participate in the 2020 Share Award Scheme
"2020 Share Award Scheme"	the share award scheme adopted pursuant to the operating procedure of the 2020 employee equity incentive scheme
"Accord"	Accord Healthcare Limited
"Administrative Framework Agreement"	the framework agreement dated 24 June 2020 entered into between Fosun High Tech and the Company relating to the procurement of services and products for administrative purpose between the Remaining Fosun High Tech Group and the Group, as renewed on 31 December 2020
"Articles of Association"	the articles of association of the Company
"Aton Guangzhou"	Aton (Guangzhou) Biotech Co., Ltd. * (安騰(廣州)生物技術有限公司), a wholly-owned subsidiary 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
"Aton Shanghai"	Aton (Shanghai) Biologics Co., Ltd. * (安騰(上海)生物技術有限公司), a wholly-owned subsidiary of the Company
"Biosidus"	Biosidus S.A.
"Binacea"	Binacea pharma Inc., a limited liability company incorporated in the Cayman Islands in February 2020
"Biopharmaceutical Products"	the self-developed biopharmaceutical products (except for HLX01 and HLX03, the distribution of which is governed by the HLX01 Agreement and the HLX03 Agreement, respectively) of the Group
"Biosimilar Guidelines"	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)》)
"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 and Corporate Governance Report contained in Appendix 14 to the Listing Rules
"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

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

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"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
"GCP"	good clinical practice
"Getz Pharma"	Getz Pharma (Private) Limited and its affiliated company, Getz Pharma International FZ-LLC
"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
"Greater China"	includes Mainland China, Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
"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
"Henlius Industrial"	Henlius Industrial Co., Limited, a wholly owned subsidiary of the Company
"Henlius Pharmaceutical"	Shanghai Henlius Biologics Co., Ltd.* (上海復宏漢霖生物醫藥有限公司), 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
"Hong Kong Stock Exchange" or the "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards
"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
"Jollin Tech"	Shanghai Jollin Tech Co., Ltd., a wholly owned subsidiary of the Company
"KG Bio"	PT Kalbe Genexine Biologics
"Latest Practicable Date"	31 March 2022, 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 10 of the Listing Rules
"NDA"	new drug application
"NeuPharma"	Suzhou NeuPharma Co., Ltd.* (蘇州潤新生物科技有限公司)
"NMPA"	the National Medical Products Administration of the PRC
"PRC" 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 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
"Prospectus"	the prospectus issued by the Company on 12 September 2019 in connection with the Global Offering
"R&D"	research and development
"Remaining Fosun High Tech Group"	Fosun High Tech and its subsidiaries, excluding the Group

"Reporting Period"	the year ended 31 December 2021
"Resigned 2018 Participants"	the participants of the 2018 Share Award Scheme who were no longer employed by the Group as at 17 November 2020
"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
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Medical Products Administration"	the Shanghai Medical Products Administration
"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 ceolder er r5.icial214.2ateneolre(s) er 3 Td23s) er s o223

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