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Shanghai Henlius Biotech, Inc.

上海復宏漢霖生物技術股份有限公司

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

(Stock code: 2696)

ANNOUNCEMENT OF FIRST THREE QUARTERS RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

The board of directors (the “**Board**”) of Shanghai Henlius Biotech, Inc. (the “**Company**” or “**Henlius**”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**” or “**we**”) for the nine months ended 30 September 2023 (the “**Reporting Period**”), prepared under International Financial Reporting Standards (“**IFRSs**”).

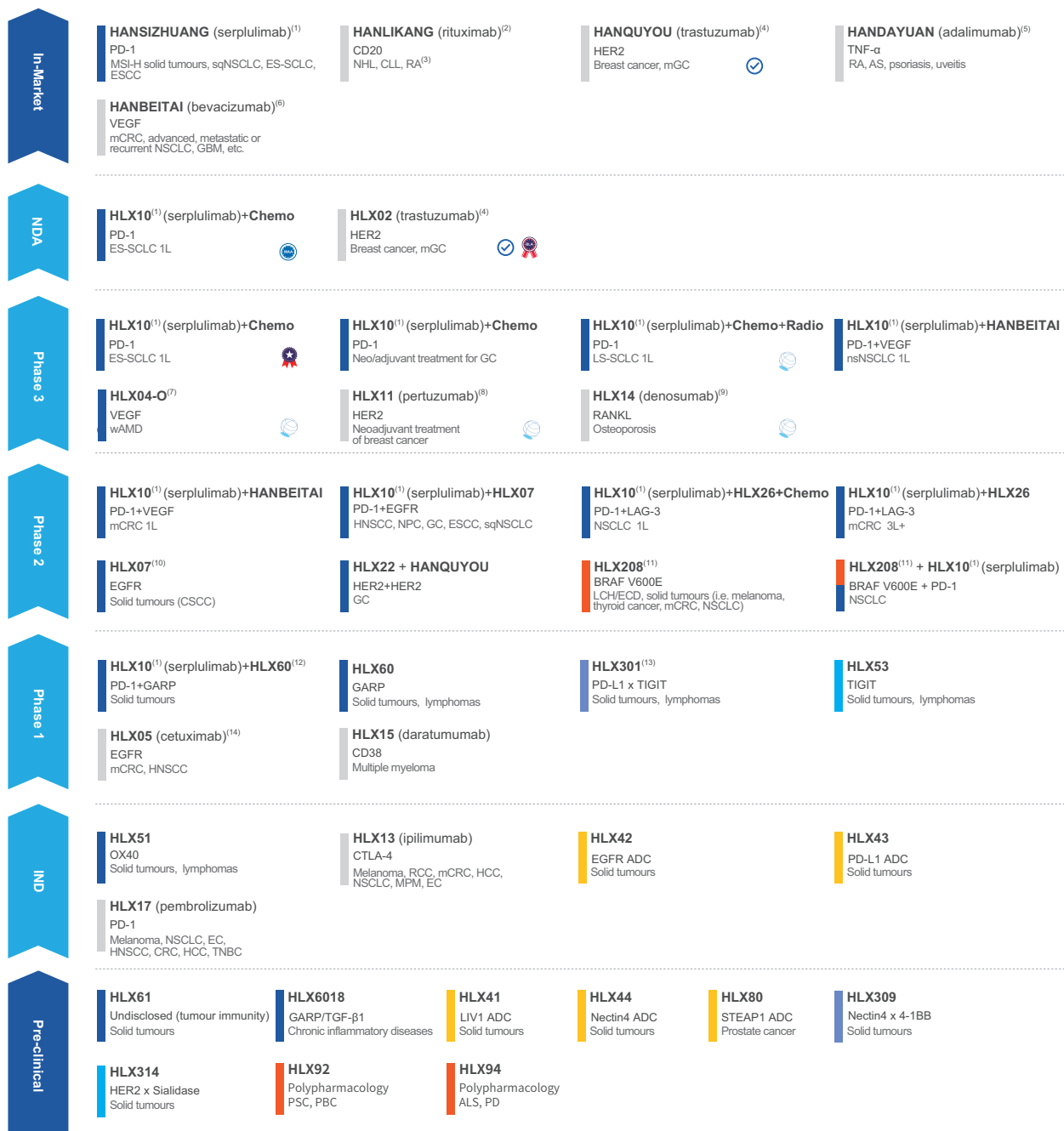
FINANCIAL SUMMARY:

1. The Group’s total revenue increased by approximately RMB1,793.6 million or approximately 84.0% to approximately RMB3,927.8 million for the nine months ended 30 September 2023 from approximately RMB2,134.2 million for the nine months ended 30 September 2022. Such revenue was mainly generated from drug sales, research and development (“**R&D**”) services provided to customers and licensing.

For the nine months ended 30 September 2023, HANQUYOU recorded a sales revenue of approximately RMB1,942.2 million in Mainland China, representing an increase of approximately RMB664.7 million or approximately 52.0% as compared to the same period in the last year; HANSIZHUANG recorded a sales revenue of approximately RMB865.4 million in Mainland China, representing an increase of approximately RMB660.1 million or approximately 321.4% as compared to the same period in the last year.

2. For the nine months ended 30 September 2023, the Group recognized clinical R&D expenditure of approximately RMB974.8 million, representing a decrease of approximately RMB397.5 million as compared to approximately RMB1,372.3 million for the nine months ended 30 September 2022, which was mainly attributable to the significant increase in the Group’s investment in the cost of R&D services of joint development projects during the Reporting Period as compared to the previous period. The Group continued to invest in innovative R&D projects to accelerate the innovation and transformation of the Company.
3. The Group’s profit for the period was approximately RMB407.8 million for the nine months ended 30 September 2023, representing an increase of approximately RMB750.3 million in profit from a loss of approximately RMB342.5 million for the nine months ended 30 September 2022, mainly due to the successive commercialisation of core products and the constant increase in sales.

OUR PRODUCT PIPELINE



■ Innovative mAb
 ■ Innovative BsAb
 ■ Innovative fusion protein
■ Biosimilar mAb
 ■ Innovative ADC
 ■ Innovative small molecule

★ Bridging study in the United States
 ★ BLA accepted by FDA
🌐 International multi-centre clinical trial
 🌐 MAA validated by the EMA
✔ The first Chinese mAb approved in both China and the EU

- (1) IND approvals obtained in China, the United States, the EU, Australia and other countries and regions; approved for marketing by the NMPA in March 2022. Business partners: KGbio/Fosun Pharma/Intas;
- (2) The first biosimilar approved in China. Business partners: Fosun Pharma/Farma De Colombia/Eurofarma/Abbott/Boston Oncology;
- (3) The first rituximab approved for the indication in China;
- (4) Approved for marketing in over 40 countries, including China, the U.K. Germany, France and Australia, trade name registered in Europe: Zercepac[®], trade name registered in Australia: Tuzuzip[®] and Trastuzip[®]. Business partners: Accord/ Cipla/ Jacobson/ Eisai/ Eurofarma/ Abbott/ KGbio;
- (5) Business partners: Jiangsu Wanbang/Getz Pharma;
- (6) Business partner: Eurofarma;
- (7) IND approvals obtained in China, Australia, the United States, Singapore, the EU and other countries and regions. Business partner: Essex;
- (8) IND approvals obtained in China, the EU. Business partner: Organon;
- (9) IND approvals obtained in China, the EU and Australia. Business partner: Organon;
- (10) IND approvals obtained in China, the United States;
- (11) Commercialisation rights obtained for Mainland China, Hong Kong, Macao and Taiwan;
- (12) IND approvals obtained in Australia;
- (13) IND approvals obtained in China, Australia;
- (14) Business partner: Shanghai Jingze.

The core products of the Company including HANSIZHUANG, HANLIKANG, HANQUYOU, HANDAYUAN and HANBEITAI are all approved for marketing.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS SUMMARY AND OUTLOOK FOR THE THIRD QUARTER

As at 10 November 2023, being the latest practicable date for the publication of this announcement (the “**Latest Practicable Date**”), 5 products of the Group have successfully been approved for marketing, being HANLIKANG, HANQUYOU, HANDAYUAN, HANBEITAI and HANSIZHUANG. The Group continues to implement the concept of excellent commercialisation by further promoting the commercialization of its products in Mainland China (excluding Hong Kong, Macau and Taiwan regions of the People’s Republic of China (the “**PRC**”)) (“**Mainland China**”) and Europe in the third quarter of 2023 by its in-house commercialisation team and international commercial partners. In July 2023, the New Drug Submission (NDS) for HANQUYOU (trastuzumab for injection, European trade name: Zercepac[®]) submitted by the Company’s business partner Accord Healthcare Inc. was accepted by the Health Canada. In September 2023, the new drug application (NDA) for the fourth indication of HANSIZHUANG – for the first-line treatment of patients with PD-L1 positive unresectable locally advanced/recurrent or metastatic esophageal squamous cell carcinoma (ESCC) in combination with drugs containing fluorouracil and platinum – was approved by the National Medical Products Administration of the PRC (the “**NMPA**”), which provided strong support for the commercialization and expansion of HANSIZHUANG in Mainland China. In August 2023, the Company entered into an agreement with FBD Biologics Limited, agreeing to grant a license to use the anti-PD-L1 VHH sequence to develop, manufacture and commercialise HCB301 worldwide. In August 2023, the Company entered into an agreement with PT Kalbe Genexine Biologics, agreeing to grant a license to commercialise HANSIZHUANG in the Middle East and North Africa such as Saudi Arabia, United Arab Emirates and Egypt. In October 2023, the Company entered into an agreement with Intas Pharmaceuticals Ltd., agreeing to grant a license to commercialise HANSIZHUANG in the agreed Geographical Europe and India.

In July 2023, the phase 1/2 clinical study of HLX04-O (recombinant anti-VEGF humanised monoclonal antibody injection) for the treatment of wet age-related macular degeneration (wAMD) has shown the good safety and tolerability and demonstrated preliminary efficacy of HLX04-O. In August 2023, the first patient has been dosed in a phase 2 clinical trial of HLX26 (recombinant anti-LAG-3 humanised monoclonal antibody injection) in combination with HANSIZHUANG and chemotherapy for the first-line treatment of advanced non-small cell lung cancer (NSCLC). In October 2023, the first patient in the European Union (the “**EU**”) region has been dosed in an international multi-centre phase 3 clinical study of HANSIZHUANG in combination with chemotherapy (carboplatin/cisplatin-etoposide) and concurrent radiotherapy for the treatment of limited-stage small cell lung cancer (LS-SCLC). In October 2023, the phase 3 clinical study of HANSIZHUANG in combination with chemotherapy for the first-line treatment of advanced non-squamous non-small cell lung cancer (nsNSCLC) met the primary endpoint, which has demonstrated the good efficacy and safety of HANSIZHUANG in combination with chemotherapy (carboplatin-pemetrexed) in patients with advanced non-squamous non-small cell lung cancer.

In August 2023, the phase 1 investigational new drug application (IND) of HLX42 for injection (antibody-drug conjugate targeting EGFR with novel DNA topoisomerase I inhibitor) for the treatment of advanced/metastatic solid tumours was accepted by the NMPA and approved in October 2023. In August 2023, the phase 1 investigational new drug application (IND) of HLX43 for injection (antibody-drug conjugate targeting PD-L1 with novel DNA topoisomerase I inhibitor) for the treatment of advanced/metastatic solid tumours was accepted by the NMPA and approved in October 2023.

In July 2023, Xuhui Facility, the Group's biopharmaceutical production base in Shanghai Caohejing Hi-Tech Park has undergone the on-site GMP inspection conducted by the Indonesian Food and Drug Authority (BPOM) for HANSIZHUANG before its launch in Indonesia, and such inspections were passed in October 2023. In October 2023, Xuhui Facility passed the GMP inspection for HANLIKANG and HANQUYOU by the Brazilian National Health Surveillance Agency (ANVISA) before its launch in Brazil. In August 2023, Xuhui Facility has undergone the on-site GMP inspection conducted by Health and Youth Care Inspectorate (a health supervision agency in the Netherlands) for HANSIZHUANG before its launch in EU, and part of Songjiang First Plant has also undergone the GMP extended inspection. In August 2023, the Group's Songjiang First Plant in Songjiang District, Shanghai has undergone the Pre-License Inspection (PLI) of HANQUYOU by the United States Food and Drug Administration (FDA).

During the year, the Group will continue to devote to oncology, auto-immuno diseases and other fields, and will explore innovation drugs with clinical orientation by leveraging on its own innovation and R&D strength combined with external cooperation and license-in while maximizing the commercial value of biosimilars at home and abroad, so as to consolidate its internationalised capability of "integrating research, production and marketing". The new drug application (NDA) for HANSIZHUANG in combination with chemotherapy for the first-line treatment of locally advanced or metastatic non-squamous non-small cell lung cancer (nsNSCLC) is scheduled to be submitted in Mainland China in the fourth quarter of 2023. The marketing authorisation application (MAA) for HANSIZHUANG in combination with chemotherapy for the first-line treatment of adult patients with extensive-stage small cell lung cancer (ES-SCLC) is expected to be approved in EU in the first half of 2024. The biologics license application (BLA) for HANSIZHUANG in combination with chemotherapy for the treatment of the indication of extensive-stage small cell lung cancer (ES-SCLC) is scheduled to be submitted in the United States in 2024. The phase 1 investigational new drug application (IND) of HLX42 for injection (antibody-drug conjugate targeting EGFR with novel DNA topoisomerase I inhibitor) for the treatment of advanced/metastatic solid tumours is expected to be approved by the United States Food and Drug Administration (FDA) in the fourth quarter of 2023. The phase 1 investigational new drug application (IND) of HLX43 for injection (anti-body-drug conjugate targeting PD-L1 with novel DNA topoisomerase I inhibitor) for the treatment of advanced/metastatic solid tumours is expected to be approved by the United States Food and Drug Administration (FDA) in the fourth quarter of 2023.

II. AUDITOR'S UNQUALIFIED OPINION TO FINANCIAL STATEMENTS ENDED 30 SEPTEMBER 2023

The Company wishes to provide its shareholders and potential investors with further information in relation to the qualified audit opinion on its consolidated financial statements for the year 2022 issued by the Company's independent auditor, Ernst & Young (the "**Auditor**"), on 31 March 2023. As disclosed in the 2022 annual results announcement of the Company dated 31 March 2023, the Auditor's qualified opinion on its consolidated financial statements for the year 2022 was mainly due to the fact that the Auditor did not obtain adequate evidence to substantiate the existence and corresponding fair value of the relevant investment under the investment management agreement with AMTD Global Markets Limited ("**Investment Manager**", now renamed as orientiert XYZ Securities Limited), which limited the scope of the audit.

Based on an analysis of the Company and professional analysis from the third-party counsels, the Company believes that it has a legal right to require Investment Manager to repay all outstanding amounts. Therefore, outstanding amounts were reclassified from financial assets at fair value through profit or loss into amounts due from Investment Manager under the item "prepayments, deposits and other receivables", and reclassifications were made to the balance as of 31 December 2022. At the same time, the Company assessed the expected credit losses in respect of amounts due from Investment Manager and recognised its relevant financial impact. Please refer to note 14 to the condensed consolidated financial statements of the Company for details.

The Company engaged the Auditor to perform review on its condensed consolidated financial statements as of 30 September 2023. Based on the review procedures performed by the Auditor, the Auditor concurred with the Company on the above judgment made by the Company and the corresponding accounting treatment and presentation, which made its scope limitation that led to the qualified opinion on the consolidated financial statements of the Company for the year 2022 no longer exist for the current period. The Auditor issued an unqualified review opinion on the condensed consolidated financial statements of the Company for the nine months ended 30 September 2023.

III. FINANCIAL REVIEW

(I) Revenue

During the Reporting Period, the Group realised an operating income of approximately RMB3,927.8 million, representing an increase of approximately 84.0% compared to the same period in the last year, and the analysis of revenue is as follows:

	For the nine months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	3,925,792	2,132,936
Revenue from other sources	2,018	1,283
	<u>3,927,810</u>	<u>2,134,219</u>
Revenue from contracts with customers		
Sales of biopharmaceutical products	3,378,405	1,967,789
Out of which:		
HANQUYOU	1,942,236	1,277,541
Zercepac®	49,101	19,108
Drug substance of trastuzumab	23,149	1,470
HANSIZHUANG	865,421	205,354
HANLIKANG	385,096	427,618
HANDAYUAN	32,087	36,698
HANBEITAI	81,315	—
Licensing revenue	20,471	38,369
Research and development services	526,228	126,231
Others	688	547
Revenue from other sources		
Rental income	2,018	1,283

(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. During the Reporting Period, the Group recorded a cost of sales of approximately RMB1,128.5 million, representing an increase of approximately RMB613.8 million as compared with that for the nine months ended 30 September 2022, due to the increase in the cost of R&D services and the increase in sales volume of key commercial products in the market recognised during the Reporting Period with the continuous advancement of R&D services.

(III) Gross profit

During the Reporting Period, the Group recorded a gross profit of approximately RMB2,799.3 million, representing an increase of approximately RMB1,179.7 million, as compared with that for the nine months ended 30 September 2022, mainly due to the gross profit contribution from the key commercial products of the Company.

(IV) R&D expenditure

During the Reporting Period, the Group recognised R&D expenses of approximately RMB974.8 million, representing a decrease of approximately RMB397.5 million as compared with approximately RMB1,372.3 million for the nine months ended 30 September 2022, which was mainly attributable to the significant increase in the Group's investment in the cost of R&D services of joint development projects during the Reporting Period as compared to the previous period. Such R&D expenses was mainly due to its efforts to advance technology platform innovation, IND application and clinical trials for new drugs to accelerate the Company's innovation and transformation.

(V) Selling and distribution expenses

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

During the Reporting Period, the Group recognised selling and distribution expenses of approximately RMB1,232.2 million, which were mainly due to the continuous sales growth of HANQUYOU and HANSIZHUANG and the marketing expenses incurred in the marketing and selling of HANBEITAI.

(VI) Profit for the period

Due to the above-mentioned factors, profit of the Group increased by approximately RMB750.3 million from a loss of approximately RMB342.5 million for the nine months ended 30 September 2022 to a profit of approximately RMB407.8 million for the nine months ended 30 September 2023.

(VII) Key financial ratios

	30 September 2023	31 December 2022
Current ratio ⁽¹⁾ :	49.9%	43.8%
Quick ratio ⁽²⁾ :	34.5%	28.7%
Gearing ratio ⁽³⁾ :	62.9%	64.7%

Notes:

- (1) Current ratio is calculated as current assets divided by current liabilities as at the same day.
- (2) Quick ratio is calculated as current assets minus inventories and then divided by current liabilities as at the same day.
- (3) Gearing ratio is calculated as net debt divided by equity attributable to owners of the parent plus net debt, multiplied by 100%. Net debt represents the balance of indebtedness less cash and cash equivalents as at the end of the period.

(VIII) Contingent liabilities

As of 30 September 2023, the Group did not have any material contingent liabilities.

(IX) Material acquisitions and disposals

As of 30 September 2023, the Group did not have any material acquisitions and disposals.

Independent review report



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To the shareholders of Shanghai Henlius Biotech, Inc.

(Established in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 9 to 33, which comprises the condensed consolidated statement of financial position of Shanghai Henlius Biotech, Inc. (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 September 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
15 November 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2023

	<i>Notes</i>	For the nine months ended 30 September	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	<i>4</i>	3,927,810	2,134,219
Cost of sales		<u>(1,128,519)</u>	<u>(514,677)</u>
Gross profit		2,799,291	1,619,542
Other income and gains	<i>5</i>	45,134	94,821
Selling and distribution expenses		(1,232,213)	(661,036)
Research and development expenses		(817,601)	(903,284)
Administrative expenses		(260,169)	(242,872)
Impairment losses on financial assets, net		(22,268)	(101,751)
Other expenses		(17,876)	(67,915)
Finance costs	<i>7</i>	<u>(82,547)</u>	<u>(79,051)</u>
PROFIT/(LOSS) BEFORE TAX	<i>6</i>	411,751	(341,546)
Income tax expense	<i>8</i>	<u>(3,956)</u>	<u>(953)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>407,795</u>	<u>(342,499)</u>
Attributable to:			
Owners of the parent		407,795	(342,499)
Non-controlling interests		<u>–</u>	<u>–</u>
		<u>407,795</u>	<u>(342,499)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic for profit/(loss) for the period (RMB)	<i>10</i>	<u>0.75</u>	<u>(0.63)</u>
Diluted for profit/(loss) for the period (RMB)	<i>10</i>	<u>0.75</u>	<u>(0.63)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2023

	For the nine months ended 30 September	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	<u>407,795</u>	<u>(342,499)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>25</u>	<u>(2,566)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>25</u>	<u>(2,566)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>407,820</u>	<u>(345,065)</u>
Attributable to:		
Owners of the parent	407,820	(345,065)
Non-controlling interests	<u>–</u>	<u>–</u>
	<u>407,820</u>	<u>(345,065)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2023

	<i>Notes</i>	30 September 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	2,177,317	1,817,449
Intangible assets	<i>12</i>	4,398,241	4,332,283
Right-of-use assets		437,826	412,422
Other non-current assets		73,710	170,612
Total non-current assets		7,087,094	6,732,766
CURRENT ASSETS			
Inventories		770,416	757,312
Trade receivables	<i>13</i>	816,563	455,509
Prepayments, deposits and other receivables	<i>14</i>	195,078	298,243
Cash and bank balances		713,124	680,478
Total current assets		2,495,181	2,191,542
CURRENT LIABILITIES			
Trade payables	<i>15</i>	431,827	713,552
Other payables and accruals		1,157,970	1,443,451
Contract liabilities		614,106	322,420
Interest-bearing bank and other borrowings	<i>16</i>	2,797,214	2,522,155
Total current liabilities		5,001,117	5,001,578
NET CURRENT LIABILITIES		(2,505,936)	(2,810,036)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,581,158	3,922,730
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>16</i>	1,268,660	1,154,940
Other long-term payables		138,316	292,370
Contract liabilities		928,973	645,594
Deferred income		191,124	193,494
Total non-current liabilities		2,527,073	2,286,398
Net assets		2,054,085	1,636,332
EQUITY			
Share capital	<i>17</i>	543,495	543,495
Reserves		1,510,590	1,092,837
Equity attributable to owners of the parent		2,054,085	1,636,332
Total equity		2,054,085	1,636,332

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2023

For the nine months ended 30 September 2023

		Attributable to owners of the parent					
		Share capital	Share premium*	Other reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023 (audited)		543,495	6,051,757	(481,413)	(7,018)	(4,470,489)	1,636,332
Profit for the period		-	-	-	-	407,795	407,795
Other comprehensive income for the period:							
Exchange differences related to foreign operations		-	-	-	25	-	25
Total comprehensive income for the period		-	-	-	25	407,795	407,820
Vesting of restricted shares (i)		-	17,627	(10,321)	-	-	7,306
Equity-settled share-based payments (ii)		-	-	2,627	-	-	2,627
At 30 September 2023 (unaudited)		<u>543,495</u>	<u>6,069,384</u>	<u>(489,107)</u>	<u>(6,993)</u>	<u>(4,062,694)</u>	<u>2,054,085</u>

* These reserve accounts comprise the consolidated other reserves of RMB1,510,590,000 in the consolidated statement of financial position.

Notes:

- (i) According to the share award scheme of the Company, 793,293 shares were vested. An amount of RMB7,306,000 was credited as other reserve due to the release of repurchase obligation and an amount of RMB17,627,000 was transferred out from other reserve to share premium.
- (ii) The Company has recognised an expense of RMB2,285,000, a cost of sales of RMB302,000, a deferred development cost of RMB38,000 and inventories of RMB2,000, which were credited to other reserve during the nine months ended 30 September 2023.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2023

For the nine months ended 30 September 2022

	Attributable to owners of the parent					
	Share capital	Share premium*	Other reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022 (audited)	543,495	6,009,592	(478,080)	(3,021)	(3,775,230)	2,296,756
Loss for the period	-	-	-	-	(342,499)	(342,499)
Other comprehensive loss for the period:						
Exchange differences related to foreign operations	-	-	-	(2,566)	-	(2,566)
Total comprehensive loss for the period	-	-	-	(2,566)	(342,499)	(345,065)
Vesting of restricted shares <i>(i)</i>	-	42,165	(16,554)	-	-	25,611
Equity-settled share-based payments <i>(ii)</i>	-	-	11,234	-	-	11,234
At 30 September 2022 (unaudited)	<u>543,495</u>	<u>6,051,757</u>	<u>(483,400)</u>	<u>(5,587)</u>	<u>(4,117,729)</u>	<u>1,988,536</u>

* These reserve accounts comprise the consolidated other reserves of RMB1,445,041,000 in the consolidated statement of financial position.

Notes:

- (i) According to the share award scheme of the Company, 2,780,728 shares were vested. An amount of RMB25,611,000 was credited as other reserve due to the release of repurchase obligation and an amount of RMB42,165,000 was transferred out from other reserve to share premium.
- (ii) The Company has recognised an expense of RMB9,459,000, a cost of sales of RMB1,074,000, a deferred development cost of RMB693,000 and inventories of RMB8,000, which were credited to other reserve during the nine months ended 30 September 2022.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2023

	Notes	For the nine months ended 30 September	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		411,751	(341,546)
Adjustments for:			
Finance costs	7	82,547	79,051
Depreciation of property, plant and equipment	6	90,950	81,972
Depreciation of right-of-use assets	6	54,644	46,344
Amortisation of intangible assets	6	97,963	62,301
Amortisation of deferred income		(4,889)	(10,618)
Foreign exchange gain, net	5	(3,285)	(64,252)
Impairment of trade receivables	6	729	1,080
Impairment of other receivables	6	21,539	100,671
Loss on disposal of items of property, plant and equipment	6	25	197
Gain on disposal of right-of-use assets	6	(390)	–
Write-down of inventories to net realisable value	6	11,995	18,449
Share-based payment expense		2,587	10,533
Cash inflows/(outflows) before working capital changes		766,166	(15,818)
Increase in inventories		(24,556)	(261,763)
Increase in trade receivables		(361,783)	(217,034)
Increase/(decrease) in prepayments, other receivables and other assets		(2,049)	87,626
Decrease in pledged deposits		–	1,741
Decrease in trade payables		(146,496)	(103,900)
(Decrease)/increase in other payables and accruals		(232,831)	500,373
Increase in contract liabilities		575,065	616,304
Increase in deferred income		2,519	2,258
Cash generated from operations		576,035	609,787
Tax paid		(3,956)	(953)
Net cash flows generated from operating activities		572,079	608,834

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2023

	For the nine months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment and other non-current assets	(467,394)	(426,649)
Proceeds from disposal of items of property, plant and equipment	24	6,561
Increase in time deposits with original maturity of more than three months	(120,000)	–
Cash repaid from a third party	134,984	–
Prepayment for the proposed acquisition of a subsidiary	(15,000)	–
Additions to intangible assets	(359,770)	(629,213)
	<u>(827,156)</u>	<u>(1,049,301)</u>
Net cash flows used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	1,956,293	2,177,842
Repayment of bank and other borrowings	(1,626,742)	(1,071,309)
Principal portion of lease payments	(74,039)	(66,147)
Interest paid	(99,031)	(85,989)
	<u>156,481</u>	<u>954,397</u>
Net cash flows generated from financing activities		
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(98,596)	513,930
Cash and cash equivalents at beginning of period	673,476	154,982
Effect of foreign exchange rate changes, net	11,242	35,883
	<u>586,122</u>	<u>704,795</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	<u><u>586,122</u></u>	<u><u>704,795</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	713,124	704,795
Less: Pledged deposits	7,002	–
Time deposits with original maturity of more than three months	120,000	–
	<u>120,000</u>	<u>–</u>
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	586,122	704,795
	<u><u>586,122</u></u>	<u><u>704,795</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023

1. CORPORATE 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 service
- biopharmaceutical production and sales

In the opinion of the directors of the Company, the ultimate parent company of the Company is Shanghai Fosun Pharmaceutical (Group) Co., Ltd. which is a company registered in China, the ultimate holding company of the Company is Fosun International Holdings Limited which is a company registered in Hong Kong, and the ultimate controlling shareholder of the Company is Mr. Guo Guangchang.

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

2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the nine months ended 30 September 2023 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

The Group had net current liabilities of RMB2,505,936,000 as at 30 September 2023. Having taken into account the unused banking facilities and the expected cash flows from operating, investing and financing activities, the directors of the Company consider that it is appropriate to prepare the financial information on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 - Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023

2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any. The amendments did not have any impact on the financial position or performance of the Group.
- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments and the mandatory temporary exception retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

3. OPERATING SEGMENT INFORMATION

The Group is engaged in biopharmaceutical R&D, biopharmaceutical service and biopharmaceutical production and sales, which are 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	For the nine months ended 30 September	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Mainland China	3,569,568	2,040,401
Overseas	358,242	93,818
	<u>3,927,810</u>	<u>2,134,219</u>

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

Seasonality of operations

The Group's operations are not subject to seasonality.

4. REVENUE

An analysis of revenue is as follows:

	For the nine months ended 30 September	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from contracts with customers	3,925,792	2,132,936
Revenue from other source	2,018	1,283
	<u>3,927,810</u>	<u>2,134,219</u>
<u>Revenue from contracts with customers</u>		
Types of goods or services		
Sales of biopharmaceutical products	3,378,405	1,967,789
Licensing revenue	20,471	38,369
Research and development services	526,228	126,231
Others	688	547
	<u>3,925,792</u>	<u>2,132,936</u>
Total revenue from contracts with customers	<u>3,925,792</u>	<u>2,132,936</u>
Timing of revenue recognition		
Transferred at a point in time	3,389,630	2,019,799
Transferred over time	536,162	113,137
	<u>3,925,792</u>	<u>2,132,936</u>
Total revenue from contracts with customers	<u>3,925,792</u>	<u>2,132,936</u>
<u>Revenue from other source</u>		
Rental income	2,018	1,283
	<u>2,018</u>	<u>1,283</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the nine months ended 30 September	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Government grants	35,802	28,939
Exchange gains	3,285	64,252
Interest income	3,752	1,550
Others	2,295	80
	45,134	94,821

6. PROFIT/(LOSS) BEFORE TAX

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

	Note	For the nine months ended 30 September	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of inventories sold		601,681	369,303
Cost of services provided		526,838	145,374
Depreciation of property, plant and equipment*		90,950	81,972
Depreciation of right-of-use assets*		54,644	46,344
Amortisation of intangible assets*		97,963	62,301
Research and development expenses:			
Current year expenditure		817,601	903,284
Foreign exchange gains, net	5	(3,285)	(64,252)
Impairment of trade receivables		729	1,080
Impairment of other receivables		21,539	100,671
Write-down of inventories to net realisable value		11,995	18,449
Bank interest income	5	(3,752)	(1,550)
Gain on disposal of right-of-use assets		(390)	–
Loss on disposal of items of property, plant and equipment		25	197
		25	197

* The depreciation of property, plant and equipment, the depreciation of right-of-use assets, the amortisation of intangible assets are included in “Cost of sales”, “Research and development expenses”, “Selling and distribution expenses” and “Administrative expenses” in the consolidated statement of profit or loss.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the nine months ended	
	30 September	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expense on bank and other borrowings	100,263	86,757
Interest expense on lease liabilities	10,036	11,373
Less: Interest capitalised	(27,752)	(19,079)
	<u>82,547</u>	<u>79,051</u>

8. INCOME TAX EXPENSE

The provision for Mainland China current income tax is based on the statutory rate of 25% (nine months ended 30 September 2022: 25%) of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain group entities in Mainland China, which are taxed at a preferential rate of 15%.

The provision for current income tax of Hengenix Biotech, Inc. incorporated in the United State and Henlius Industrial Co., Limited incorporated in Hong Kong is based on the statutory rates of 29.84% and 8.25% (nine months ended 30 September 2022: 29.84% and 8.25%, respectively), respectively, for the nine months ended 30 September 2023.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

	For the nine months ended	
	30 September	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current – Mainland China	3,956	953
Total tax charge for the period	<u>3,956</u>	<u>953</u>

9. DIVIDENDS

No dividend has been paid or declared by the Company during the reporting period (nine months ended 30 September 2022: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 543,233,328 (nine months ended 30 September 2022: 541,792,261) in issue during the period.

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

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

	For the nine months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic earnings/(loss) per share calculation	407,795	(342,499)
	=====	=====
	Numbers of shares	
	For the nine months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	543,233,328	541,792,261
	=====	=====
Effect of dilution – weighted average number of ordinary shares:		
Restricted shares under the share award scheme	68,097	–
	=====	=====
Weighted average number of ordinary shares in issue during the period used in the diluted earnings/(loss) per share calculation	543,301,425	541,792,261
	=====	=====

During the nine months ended 30 September 2022, since the diluted loss per share amount decreased when taking into account the restricted shares issued under the share award scheme, the restricted shares had an anti-dilutive effect and were ignored in the calculation of diluted loss per share for the period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 September 2023

11. PROPERTY, PLANT AND EQUIPMENT

	For the nine months ended	
	30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Carrying value at beginning of the period (audited)	1,817,449	1,228,885
Additions	463,110	579,583
Disposals	(49)	(261)
Depreciation charge	(104,524)	(92,780)
Exchange alignment	1,331	4,694
	<u>2,177,317</u>	<u>1,720,121</u>
Carrying value at end of the period (unaudited)	<u><u>2,177,317</u></u>	<u><u>1,720,121</u></u>

As at 30 September 2023, the Group's construction in progress with a carrying amount of RMB852,319,000 (31 December 2022: RMB664,852,000) was pledged as security for the Group's interest-bearing bank and other borrowings, as further detailed in note 16 to the interim condensed consolidated financial information.

12. INTANGIBLE ASSETS

	For the nine months ended	
	30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Carrying value at beginning of the period (audited)	4,332,283	3,634,931
Additions	356,937	472,217
Transfer to cost of sales	(192,980)	–
Amortisation charge	(98,001)	(62,450)
Exchange alignment	2	7
	<u>4,398,241</u>	<u>4,044,705</u>
Carrying value at end of the period (unaudited)	<u><u>4,398,241</u></u>	<u><u>4,044,705</u></u>

13. TRADE RECEIVABLES

An ageing analysis of the trade receivables, based on the invoice date and net of provisions, is as follows:

	30 September	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	679,722	373,226
3 to 6 months	45,529	114
6 to 12 months	9,886	20,877
1 to 2 years	81,426	61,292
	<u>816,563</u>	<u>455,509</u>
	<u><u>816,563</u></u>	<u><u>455,509</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		30 September 2023	31 December 2022
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Audited)
Prepayments		43,189	54,543
Value added tax to be deducted and certified		114,134	52,119
Deposits and other receivables		37,755	31,395
Due from AMTD	<i>(i)</i>	476,452	601,470
		671,530	739,527
Impairment allowance	<i>(i)</i>	(476,452)	(441,284)
		195,078	298,243

Notes:

- (i) On 25 September 2019, the Company entered into an investment management agreement (the “IMA”) with AMTD Global Markets Limited (“AMTD”, now renamed as orientiert XYZ Securities Limited). Pursuant to the IMA, the Company deposited a total principal amount of USD117,000,000 into its investment portfolio account with AMTD (the “AMTD Account”) and engaged AMTD to provide investment management services.

The Company recovered in total of USD30,640,000 from AMTD during the years ended 31 December 2020, 2021 and 2022. As at 31 December 2022, the outstanding balances in the AMTD Account amounted to USD86,360,000. During the nine months ended 30 September 2023, the Company further recovered an amount of USD20,000,000 from AMTD. As at 30 September 2023, the outstanding balances of the investment principal in AMTD Account amounted to USD66,360,000.

Based on the analysis by the Company’s management and with the assistance of the Company’s external legal counsel, it is clarified that the IMA expired on 25 September 2021 and the Company had the legal rights to recover all the outstanding investment amounts from AMTD. Therefore, the outstanding investment amounts with AMTD is accounted for as an amount due from AMTD. The previous year balances of financial assets at fair value through profit or loss have been reclassified to amounts due from AMTD.

The Company assessed the expected credit losses based on all the facts and available information, including historical correspondence with AMTD, relevant analysis from the external legal counsel of the Company, etc. As at 31 December 2022, a total expected credit loss amounting to USD63,360,000 (equivalent to RMB441,284,000) was provided in connection with the amount due from AMTD and the expected credit loss was reclassified from the total fair value losses on the financial assets at fair value through profit or loss recognized in the previous year. During the nine month ended 30 September 2023, an additional expected credit loss amounting to USD3,000,000 was further recognized. As at 30 September 2023, the total expected credit losses amounted to USD66,360,000 (equivalent to RMB476,452,000) was fully provided in connection with the amount due from AMTD.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 September 2023

15. TRADE PAYABLES

An ageing analysis of the trade payables, based on the invoice date, is as follows:

	30 September 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 year	429,843	713,104
1 to 2 years	1,984	448
	<u>431,827</u>	<u>713,552</u>

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<u>30 September 2023</u>			<u>31 December 2022</u>		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current						
Lease liabilities	3.66-6.28	2023	81,853	3.98-6.28	2023	81,445
Bank borrowings – unsecured	2.80-3.85	2023-2024	2,280,825	3.20-5.12	2023	1,839,095
Current portion of long term bank borrowings – secured (Note (a))	3.53	2023-2024	80,000	3.78	2023	40,000
Current portion of long term bank borrowings – unsecured	3.85-4.50	2023-2024	<u>354,536</u>	3.65-4.65	2023	<u>561,615</u>
			<u>2,797,214</u>			<u>2,522,155</u>
Non-current						
Lease liabilities	3.66-6.28	2024-2030	206,536	3.98-6.28	2024-2030	179,647
Bank borrowings – secured (Note (a))	3.53	2023-2030	1,062,124	3.78	2024-2030	943,626
Bank borrowings – unsecured			–	4.45-4.50	2024-2025	31,667
			<u>1,268,660</u>			<u>1,154,940</u>
			<u>4,065,874</u>			<u>3,677,095</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 September 2023

16. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	30 September 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Analysed into:		
Bank loans and other loans repayable:		
Within one year	2,715,361	2,440,710
In the second year	104,950	90,000
In the third to fifth years, inclusive	761,416	623,476
Beyond five years	195,758	261,817
	<u>3,777,485</u>	<u>3,416,003</u>
Lease liabilities:		
Within one year	81,853	81,445
In the second year	66,147	65,864
In the third to fifth years, inclusive	117,171	80,661
Beyond five years	23,218	33,122
	<u>288,389</u>	<u>261,092</u>

Notes:

- (a) Certain of the Group's bank borrowings are secured by:
- (i) mortgages over the Group's right-of-use assets that had a net carrying value at the end of the reporting period of RMB193,663,000 (31 December 2022: RMB196,837,000); and
 - (ii) mortgages over the Group's property, plant and equipment that had a net carrying value at the end of the reporting period of RMB852,319,000 (31 December 2022: RMB664,852,000).
- (b) As at 30 September 2023, all borrowings were in RMB (as at 31 December 2022, except for certain of the Group's bank borrowings bearing interest at 5.12% amounting to USD10,000,000, all borrowings were in RMB).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023

17. SHARE CAPITAL

	30 September 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<i>Issued and fully paid:</i>		
543,494,853 (2022: 543,494,853) ordinary shares	543,495	543,495

18. CONTINGENT LIABILITIES

As at 30 September 2023, the Group did not have any contingent liabilities.

19. COMMITMENTS

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

	30 September 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for plant and machinery	204,012	297,210

(b) The Group did not have any lease contracts that have not yet commenced as at 30 September 2023 and 31 December 2022.

(c) Other business agreements

The Company enters into collaboration agreements with other 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. Payments under these agreements generally become due and payable upon achievement of such milestones or sales. These commitments are not recorded in the interim condensed consolidated financial information 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 interim condensed consolidated financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023

20. RELATED PARTY TRANSACTIONS

The following companies are related parties that have material transactions or balances with the Group:

(a) Name and relationship of the related parties

Name	Relationship
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* ("上海復星醫藥(集團)股份有限公司") ("Fosun Pharma")	Ultimate parent company
Shanghai Clone High Technology Co., Ltd.* ("上海克隆生物高技術有限公司") ("Clone High Tech")	Fellow subsidiary
Shanghai Fukun Pharmaceutical Technology Development Co., Ltd.* ("上海復坤醫藥科技發展有限公司") ("Shanghai Fukun")	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公司") ("Jiangsu Wanbang")	Fellow subsidiary
Zhejiang Xinghao Pengbo Pharmaceutical Co., Ltd.* ("浙江星浩澎博醫藥有限公司") ("Zhejiang Xinghao Pengbo")	Fellow subsidiary
Fosun Pharmaceutical Distribution (Jiangsu) Co., Ltd.* ("江蘇復星醫藥銷售有限公司") ("Jiangsu Fosun")	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 Xingfu Enterprise Management Consulting Co., Ltd. * ("上海星服企業管理諮詢有限公司") ("Shanghai Xingfu")	Fellow subsidiary
Fosun Diagnostics (Shanghai) Co, Ltd.* ("復星診斷科技(上海)有限公司") ("Fosun Diagnostics")	Fellow subsidiary
Shanghai Old Temple Gold Co., Ltd.* ("上海老廟黃金有限公司") ("Shanghai Old Temple Gold")	Fellow subsidiary
Chengdu Fudi Real Estate Co., Ltd. * ("成都復地置業有限公司") ("Chengdu Fudi")	Fellow subsidiary
Suzhou Otovia Therapeutics Biotechnology Co., Ltd.* ("蘇州星奧拓維生物技術有限公司") ("Suzhou Otovia Therapeutics")	Fellow subsidiary
Fosun Health Technology (Jiangsu) Co., Ltd.* ("復星健康科技(江蘇)有限公司") ("Fosun Health")	Fellow subsidiary
Shanghai Yunji Information Technology Co., Ltd. * ("上海雲濟信息科技有限有限公司") ("Shanghai Yunji")	Fellow subsidiary
Shanghai Highland Property Management Co., Ltd. * ("上海高地物業管理有限有限公司") ("Shanghai Highland")	Fellow subsidiary
Shanghai Fosun High Tech Group Finance Co., Ltd. * ("上海復星高科技集團財務有限有限公司") ("Shanghai Fosun Finance")	Fellow subsidiary
Sinopharm Group Co., Ltd. and its subsidiaries* ("國藥控股股份有限有限公司"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)股份有限有限公司"及其子公司) ("Chongqing Pharma")	Associate of the ultimate parent company
Shanghai Yimi Information Technology Co., Ltd.* ("上海醫米信息技術有限有限公司") ("Shanghai Yimi")	Significantly influenced by the ultimate controlling shareholder

* 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	Notes	For the nine months ended	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Licensing revenue from related parties			
Fosun Pharma Industrial Development	(i)	16,278	13,679
Jiangsu Wanbang	(i)	–	2,283
		<u>16,278</u>	<u>15,962</u>
Services provided to related parties			
Fosun Pharma Industrial Development	(ii)	136,640	29,897
Suzhou Otovia Therapeutics	(ii)	473	58
Jiangsu Fosun	(ii)	341	696
		<u>137,454</u>	<u>30,651</u>
Sales of goods to related parties			
Sinopharm	(iii)	1,421,926	744,006
Jiangsu Fosun	(iii)	398,827	446,411
Chongqing Pharma	(iii)	65,770	43,696
		<u>1,886,523</u>	<u>1,234,113</u>
Purchases of services from related parties			
Jiangsu Fosun	(iv)	23,349	12,609
Shanghai Highland	(iv)	816	–
Fosun Pharma	(iv)	813	–
Fosun Health	(iv)	619	–
Shanghai Old Temple Gold	(iv)	540	–
Kai Mao Bio-pharma	(iv)	347	210
Clone High Tech	(iv)	334	99
Shanghai Yunji	(iv)	282	190
Fosun Diagnostics	(iv)	90	659
Shanghai Yimi	(iv)	–	415
Sinopharm	(iv)	–	265
Others	(iv)	128	119
		<u>27,318</u>	<u>14,566</u>
Purchase of materials from			
Sinopharm	(iv)	879	1,469
Purchase of fixed assets from			
Shanghai Yunji	(iv)	880	–

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

	Notes	For the nine months ended 30 September	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Purchase of intangible assets from			
Shanghai Yunji	(iv)	270	–
Fosun Pharma	(iv)	–	1,811
		<u>270</u>	<u>1,811</u>
Purchases of right-of-use assets from			
Clone High Tech	(v)	18,100	14,857
Shanghai Fukun	(v)	949	16,640
Chengdu Fudi	(v)	368	–
		<u>19,417</u>	<u>31,497</u>
Disposal of right-of-use assets from			
Clone High Tech	(v)	5,234	–
Deposits in related party			
Shanghai Fosun Finance	(vi)	193,000	–
Interest income			
Shanghai Fosun Finance	(vi)	416	–

Notes:

- (i) The Group granted exclusive licences of the Group's certain biopharmaceutical products in the PRC to related parties after the Group had obtained 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 commercialised 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 services provided to related parties were carried out in accordance with the terms and conditions similar to those offered to the unrelated customers in the ordinary course of business.
- (iii) The sales of biopharmaceutical products to related parties were carried out in accordance with the terms and conditions similar to those offered to the unrelated customers in the ordinary course of business.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 September 2023

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

- (iv) The purchases from related parties were charged in accordance with the terms and conditions offered by the related parties to their unrelated customers.
- (v) Certain subsidiaries of the Group entered into rental agreements with related parties. The amounts of lease liabilities paid by the Group to the related parties under the leases were determined with reference to the amounts charged by third parties.
- (vi) Shanghai Fosun High Technology Group Finance Co., Ltd., a fellow subsidiary of the Group, provides deposit services to subsidiaries of the Group, and the maturity date is from November 2023 to December 2023. These transactions will be on normal commercial terms and the parties will comply with the relevant requirements.

(c) Outstanding balances with related parties

	30 September 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Amounts due from related parties		
Trade receivables		
Sinopharm	265,953	132,724
Jiangsu Fosun	83,155	35,397
Chongqing Pharma	10,648	5,096
Fosun Pharma Industrial Development	8,985	6,511
	<u>368,741</u>	<u>179,728</u>
Prepayments, deposits and other receivables		
Clone High Tech	2,706	–
Shanghai Fukun	1,125	1,125
Chengdu Fudi	41	–
Fosun Diagnostics	–	90
Sinopharm	–	21
	<u>3,872</u>	<u>1,236</u>
Other non-current assets		
Shanghai Yunji	–	115
	<u>–</u>	<u>115</u>
Amounts due to related parties		
Trade payables		
Sinopharm	50	380
Kai Mao Bio-pharma	20	–
Zhejiang Xinghao Pengbo	–	49
	<u>70</u>	<u>429</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties (continued)

	30 September 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Other long-term payables		
Fosun Pharma Industrial Development (i)	<u>125,786</u>	<u>235,849</u>
Lease liabilities		
Clone High Tech	101,324	116,809
Shanghai Fukun	10,873	14,425
Chengdu Fudi	<u>287</u>	<u>–</u>
	<u>112,484</u>	<u>131,234</u>
Contract liabilities		
Fosun Pharma Industrial Development (i)	851,607	357,183
Sinopharm	98,352	56,509
Jiangsu Wanbang	82,286	82,286
Chongqing Pharma	6,096	4,670
Suzhou Otovia Therapeutics	–	360
Jiangsu Fosun	<u>–</u>	<u>179</u>
	<u>1,038,341</u>	<u>501,187</u>

Note:

- (i) On 17 November 2022, the Company entered into a license agreement with Fosun Pharma Industrial Development, a fellow subsidiary of the Company, to grant Fosun Pharmaceutical Industrial Development an exclusive license to commercialise HANSIZHUANG in the United States (including its territories and possessions) for the treatment indication of Extensive Stage Small-Cell Lung Cancer (ES-SCLC) and any other indication (other than ES-SCLC) as mutually agreed between the Company and Fosun Pharmaceutical Industrial Development in human. The contract was approved by the extraordinary general meeting on 27 December 2022. On 9 August 2023, the Company entered into an amendment agreement with Fosun Pharma Industrial Development, and the amendment agreement was approved by the extraordinary general meeting on 28 August 2023. As at 30 September 2023, the Company received a total upfront payment of RMB800,000,000 from Fosun Pharma Industrial Development relating to this license agreement, among which RMB250,000,000 was received in the year of 2022.

Except for the lease liabilities, the balances are trade in nature, unsecured, non-interest-bearing and have no fixed terms of repayment.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 September 2023

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Compensation of key management personnel of the Group

	For the nine months ended	
	30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees	808	764
Other emoluments:		
Wages and salaries	40,448	30,527
Performance related bonuses	10,838	9,326
Staff welfare expenses	969	966
Share award scheme	2,159	8,597
	55,222	50,180

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 September	31 December	30 September	31 December
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Financial liabilities				
Interest-bearing bank and other borrowings				
– non-current portion other than lease liabilities	1,062,124	975,293	1,055,563	965,952

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, trade receivables, trade payables, financial liabilities included in other payables and accruals, and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at the end of the reporting period was assessed to be insignificant.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 September 2023

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

As at 30 September 2023

	Fair value measurement using			Total <i>RMB'000</i> (Unaudited)
	Quoted prices in active markets (Level 1) <i>RMB'000</i> (Unaudited)	Significant observable inputs (Level 2) <i>RMB'000</i> (Unaudited)	Significant unobservable inputs (Level 3) <i>RMB'000</i> (Unaudited)	
Interest-bearing bank and other borrowings				
– non-current portion other than lease liabilities	–	1,055,563	–	1,055,563

As at 31 December 2022

	Fair value measurement using			Total <i>RMB'000</i> (Audited)
	Quoted prices in active markets (Level 1) <i>RMB'000</i> (Audited)	Significant observable inputs (Level 2) <i>RMB'000</i> (Audited)	Significant unobservable inputs (Level 3) <i>RMB'000</i> (Audited)	
Interest-bearing bank and other borrowings				
– non-current portion other than lease liabilities	–	965,952	–	965,952

22. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the reporting period.

23. COMPARATIVE AMOUNTS

As further explained in note 14 to the interim condensed consolidated financial information, the financial assets at fair value through profit or loss amounting to RMB160,186,000 as at 31 December 2022 were reclassified to prepayments, deposits and other receivables, representing an amount due from AMTD amounting to RMB601,470,000, net of impairment allowance for the expected credit loss in connection with due from AMTD amounting to RMB441,284,000. The comparative amounts relating to the statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine months ended 30 September 2022 have not been reviewed or audited by the independent auditor of the Company.

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 15 November 2023.

APPRECIATION

The Group would like to express its appreciation to all the staff for their outstanding contribution towards the Group's development. The Board wishes to sincerely thank the management for their dedication and diligence, which are the key factors for the Group to continue its success in future. Also, the Group wishes to extend its gratitude for the continued support from its shareholders, customers, and business partners. The Group will continue to deliver sustainable business development, so as to create more values for all its shareholders.

On behalf of the Board
Shanghai Henlius Biotech, Inc.
Wenjie Zhang
Chairman

Hong Kong, 15 November 2023

As at the date of this announcement, the board of directors of the Company comprises Mr. Wenjie Zhang as the chairman and executive director, Mr. Jun Zhu as the executive director, Mr. Qiyu Chen, Mr. Yifang Wu, Ms. Xiaohui Guan, Mr. Deyong Wen and Dr. Xingli Wang as the non-executive directors, and Mr. Tak Young So, Dr. Lik Yuen Chan, Dr. Guoping Zhao and Dr. Ruilin Song as the independent non-executive directors.