# Hansoh Pharmaceutical Group Company Limited
# 翰森製藥集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3692)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

The board (the "**Board**") of directors (the "**Directors**") of Hansoh Pharmaceutical Group Company Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2019, together with the comparative figures for the last year.

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group.

### FINANCIAL HIGHLIGHTS

For the year ended December 31, 2019, the Group recorded the following audited results:

- Revenue was approximately RMB8,683 million, representing an increase of approximately 12.4% compared with the year ended December 31, 2018;
- R&D expenditure was approximately RMB1,121 million, representing an increase of approximately 27.2% compared with the year ended December 31, 2018, and accounted for approximately 12.9% of the revenue;
- Net profit was approximately RMB2,557 million, representing an increase of approximately 34.3% compared with the year ended December 31, 2018;
- Earnings per share was approximately RMB0.47, representing an increase of approximately 22.6% compared with the year ended December 31, 2018.

## CORPORATE OVERVIEW

The Company is one of the leading research and development-driven pharmaceutical companies in the People's Republic of China ("**PRC**" or "**China**"), devoting itself to meet the unmet clinical needs of patients and improve the health and well-being of human beings through continuing innovation.

The Company has established a leading position in some of the largest and fastest-growing therapeutic areas in the PRC with significant unmet clinical needs, including central nervous system ("**CNS**") diseases, oncology, anti-infectives and diabetes.

The core driving force of the Company is its focus on innovation. The Company has continuously increased its investments in research and development ("**R&D**") over the years, established a sound R&D platform and mastered a number of proprietary technologies. It has successfully launched and developed a series of innovative drugs and first-to-market generic drugs. During the year under review, the Company successfully launched seven new drugs in total, including two innovative drugs, Fulaimei (polyethylene glycol loxenatide for injection) and Hansoh Xinfu (flumatinib mesylate).

The Company attaches great importance to product quality. It has maintained the advanced nature of its production quality system through overseas certification, while at the same time constantly expanding the business pipeline of its principal businesses. In addition, it continues to introduce advanced management concepts and tools to improve the overall operation efficiency of the Group.

As the innovative drugs are approved for marketing from time to time, the Company devotes efforts to improve its professional marketing capability and increase the understanding and knowledge of medical professionals regarding the innovative drugs.

### Main products

| | |
|---|---|
| CNS disease drugs: | Oulanning (olanzapine tablets) and Ameining (agomelatine tablets) |
| Oncology drugs: | Pulaile (pemetrexed disodium for injection), Zefei (gemcitabine hydro chloride for injection), Hansoh Xinfu (flumatinib mesylate), Xinwei (imatinib mesylate tablets), Xinmei (decitabine for injection), Xintai (bortezomib for injection) and Tanneng (fosaprepitant dimeglumine for injection) |
| Anti-infective drug: | Mailingda (morinidazole sodium chloride injection), Zetan (tigecycline for injection), Hengjie (linezolid glucose injection) and Hengsen (micafungin sodium for injection) |
| Others: | Fulaimei (polyethylene glycol loxenatide for injection), Fulaidi (repaglinide tablets), Fulairui (canagliflozin tablets), Ruibote (rabeprazole sodium enteric-coated tablets), Zexin (apixaban tablets) and Ruiyisheng (prucalopride succinate tablets) |

In 2013, the Company was first awarded with the State Science and Technology Award (second prize) (國家科技獎(二等獎)) by the PRC State Council (the "**State Council**"). During the same year, we obtained United States Food and Drug Administration ("**U.S. FDA**") certification for our oncology injectable products, including Zefei, which was approved for sale by the U.S. FDA. We obtained the latest versions of Chinese Good Manufacturing Practice ("**GMP**") certifications for all our production lines.

In 2014, the Company was once again awarded with the State Science and Technology Award (second prize) (國家科技獎(二等獎)) by the State Council. During the same year, our first self-developed innovative drug Mailingda (morinidazole sodium chloride injection) was approved for sale in China.

In 2017, the Company ranked 22nd among the "Top 100 Pharmaceutical Industrial Enterprises of China" (2017年中國醫藥工業企業百強) by the China National Pharmaceutical Industry Information Center (中國醫藥工業信息中心).

In both 2018 and 2019, the Company ranked second for "R&D-driven Pharmaceutical Companies in China" (中國醫藥研發產品線最佳工業企業) by the China National Pharmaceutical Industry Information Center (中國醫藥工業信息中心) for two years consecutively.

In May 2019, our self-developed GLP-1 receptor agonist and a long-acting Category 1.1 innovative drug indicated for the treatment of Type-II diabetes, Fulaimei (polyethylene glycol loxenatide for injection), was approved for sale in China.

In May 2019, the Company was awarded with the "Green Enterprise Management Award" (2019年度綠色企業管理獎).

On June 14, 2019 (the "**Listing Date**"), the shares of the Company were successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), creating a milestone for the Group and laying a solid foundation for our future development.

In August 2019, the Company was named as an enterprise with "Excellence in Performing Social Responsibilities Among Chinese Pharmaceutical Enterprises" (中國醫藥企業社會責任優秀) by the China National Pharmaceutical Industry Information Center (中國醫藥工業信息中心).

In November 2019, Hansoh Xinfu (flumatinib mesylate), a Category 1.1 innovative drug self-developed by the Company, obtained the approval for marketing in China and is indicated for the treatment of chronic myelogenous leukemia.

The website of the Group: **www.hspharm.com/**

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Review

China's economic growth was stable during 2019, with its gross domestic product growing at a rate of 6.1% year on year. During the same period, the continuous and further implementation of the national medical reform has brought significant challenges and opportunities to the entire pharmaceutical industry. Under the general environment of price control over the medicines covered by medical insurance, the "4+7" scheme for centralized tendering with minimum procurement quantities has been implemented successively since March, and the centralized tendering scheme in the allied regions was extended nationwide while the second batch of nationwide centralized tendering was initiated in December, in order to promote the improvement of the product quality of enterprises and to exert pressure on enterprises to lower their pricing at the same time. The working model of the adjustment to the National Reimbursement Drug List ("**NRDL**", 國家醫保藥品目錄) led by the National Healthcare Security Administration (國家醫保局) was consolidated, and the dynamic adjustment of the NRDL has entered into a normal state. The system of including innovative drugs in the NRDL upon negotiations is basically sound, under which a wide range of innovative drugs are included in the NRDL based on the clinical value and taking into account the efficacy, safety and cost-effectiveness of drugs. The national piloting of payment systems based on diagnosis related groups (DRGs) has promoted the standardized treatment of medical institutions. Under such a multi-directional and profound reform situation, innovation has become the core driving force for the development of pharmaceutical enterprises. Enterprises with strong innovation ability, rich product pipelines, high level of product quality, guaranteed production and supply, along with excellent commercialization capabilities, have the opportunity to further build and continuously expand their advantages in the complex and volatile environment through a combination of measures.

### Business Review

During the year, the Group's main achievements and awards are as follows:

In April 2019, an application for marketing was made in respect of the third-generation epidermal growth factor receptor ("**EGFR**") inhibitor, almonertinib tablets (HS-10296), which was accepted for new drug priority review and is a self-developed innovative drug indicated for the treatment of patients with non-small cell lung cancer with EGFR-T790M mutation. It is expected to significantly prolong the life expectancy of targeted patients after its launch.

In May 2019, the long-acting GLP-1 receptor agonist Fulaimei (polyethylene glycol loxenatide for injection), which is a self-developed innovative drug, was approved for launch, providing a better treatment choice for diabetes patients in China and significantly improving their medication experience and quality of life.

In May 2019, we signed a cooperation agreement with Viela Bio, Inc. to develop CD19 monoclonal antibody inebilizumab in the PRC for the treatment of neuromyelitis optica spectrum disorder ("**NMOSD**") as well as other autoimmune diseases and hematological malignancies.

In November 2019, Hansoh Xinfu (flumatinib mesylate), a Category 1.1 innovative drug self-developed by the Company, was approved for marketing in China and is indicated for the treatment of chronic myelogenous leukemia.

During the year under review, we also obtained the production approvals for Apixaban tablets, Vildagliptin tablets, fosaprepitant dimeglumine for injection and canagliflozin tablets, all of which are domestic first-to-market generic drugs and together with linezolid tablets are considered to have passed the consistency evaluation. Cefdinir capsules were the first to pass the consistency evaluation.

During the year under review, the application for the production of our innovative drug almonertinib was submitted, and the clinical trial application for HS-10342 was submitted and we obtained implied permission to conduct phase I clinical trials. In addition, we submitted applications for marketing in respect of Paliperidone extended-release tablets, Dabigatran etexilate capsules, dexlansoprazole enteric-coated capsules and lenalidomide capsules.

During the year under review, our oncology injectable product Pulaile obtained U.S. FDA certification. The new 2019 edition of the NRDL was announced, in which our drugs listed in the 2017 edition were not removed and one drug, i.e. metformin hydrochloride repaglinide tablets, was included. The agreement with the National Healthcare Security Administration was renewed successfully through negotiation to enable the continuous inclusion of Mailingda in the NRDL. The construction of the high-end pharmaceutical products R&D center and phase 1 production base in Changzhou has been completed, which are to be put into use. The construction of the biological drugs production base started.

During the year under review, the Company actively made adjustments in response to the national medical reform policy. Following the success of Oulanning and Xinwei being selected for the "4+7" scheme for centralized tendering with minimum procurement quantities, these two drugs further won the bid within the expanded nationwide range and maintained their stable growth throughout the year. In respect of our existing competitive areas, the Company strengthened academic facilities and publicity activities and continuously improved product coverage, so as to ensure the achievement of performance targets, leading market share and steady growth. After the launch of Hansoh Xinfu (flumatinib mesylate) and Fulaimei (polyethylene glycol loxenatide for injection), the Company has strengthened its professional academic team facilities. The existing clinical data and clinical experience of the Company has been highly recognized by clinical experts. Meanwhile, the Company cooperated with professional institutions to carry out post-marketing clinical research projects and accumulate more sufficient clinic-based evidence. The Company will subsequently organize and expand the chronic disease management to help patients improve their disease course management.

For the year ended December 31, 2019, the Group recorded revenue of approximately RMB8,683 million during the year under review, representing an increase of approximately 12.4% compared with the previous year; net profit of approximately RMB2,557 million, representing an increase of approximately 34.3% compared with the previous year; and earnings per share of approximately RMB0.47, representing an increase of approximately 22.6% compared with the previous year.

**Revenue**

We generate substantially all of our revenue from sales of pharmaceutical products. Most of our main products are in the CNS diseases, oncology, anti-infectives and other main therapeutic areas we strategically target. The growth in our total revenue was primarily attributable to the increase in sales of products in each of our therapeutic areas.

***CNS disease products***

Our CNS disease drug portfolio mainly consists of, among others, Oulanning (olanzapine tablets) and Ameining (agomelatine tablets). For the year ended December 31, 2019, revenue from our CNS disease drug portfolio amounted to approximately RMB2,171 million, accounting for approximately 25.0% of our total revenue.

Oulanning is the first-to-market generic of olanzapine in China, which is indicated for treatment of schizophrenia, mania and bipolar affective disorder, typically prescribed for long-term use. After its launch, Oulanning has been widely recognized clinically for its excellent efficacy and quality. In comparison with original schizophrenia drugs, olanzapine is indicated for a wider range of indications. Olanzapine also has faster control of acute symptoms and the occurrence rate of extrapyramidal reactions is either small or insignificant. In 2014, Oulanning won the second prize for the Advancement of Science and Technology Award (國家科技進步二等獎). In May 2018, Oulanning became the first olanzapine tablets to pass the consistency evaluation. During the year under review, revenue from Oulanning maintained steady growth.

***Oncology products***

In respect of oncology products, we primarily focus on drugs for the treatment of solid tumors with high incidence such as lung cancer and breast cancer, as well as hematological cancer. Our oncology drug portfolio mainly consists of Hansoh Xinfu (flumatinib mesylate) which was newly launched in 2019, Pulaile (pemetrexed disodium for injection), Zefei (gemcitabine hydrochloride for injection), Xinwei (imatinib mesylate tablets), Xinmei (decitabine for injection), Xintai (bortezomib for injection) and Tanneng (fosaprepitant dimeglumine for injection). For the year ended December 31, 2019, revenue from our oncology drug portfolio amounted to approximately RMB3,530 million, accounting for approximately 40.6% of our total revenue.

Xinwei is the first-to-market generic of imatinib, which is indicated for the targeted treatment of, among others, Philadelphia chromosome-positive chronic myelogenous leukemia and acute lymphocytic leukemia, gastrointestinal stromal tumors. Unlike chemotherapy drugs, imatinib is typically prescribed for long-term use. In May 2018, Xinwei became the first imatinib mesylate tablets to pass the consistency evaluation. Pulaile is the first-to-market generic of pemetrexed, which is indicated for the treatment of non-small cell lung cancer and malignant pleural mesothelioma, and is the first-line chemotherapeutic drug. Pulaile obtained the Japanese Pharmaceuticals and Medical Devices Agency (PMDA) certification in 2016 and obtained U.S. FDA certification in 2019. Zefei is the first-to-market generic of gemcitabine, which is indicated for the treatment of middle and late-stage non-small cell lung cancer, breast cancer, and pancreatic cancer, and is the first-line typical chemotherapeutic drug. In 2013, Zefei obtained U.S. FDA certification. In 2013, Zefei won the second prize for the Advancement of Science and Technology Award (國家科技進步二等獎). Since its launch in 2001, Zefei has taken a leading position in the gemcitabine market and increased penetration into country markets through our professional academic promotion and active expansion of its scope of clinical application. During the year under review, revenue from oncology product portfolio also remained steady.

***Anti-infective products***

Our anti-infective drug portfolio mainly consists of, among others, Mailingda (morinidazole sodium chloride injection), Zetan (tigecycline for injection), Hengjie (linezolid glucose injection) and Hengsen (micafungin sodium for injection). The Company mainly focuses on drug-resistant bacteria products as the clinical needs of these products are increasing. Meanwhile, the Company maintains rational drug use as the guiding direction for academic activities of anti-infective drugs, to promote the regulated clinical use of anti-infective drugs. For the year ended December 31, 2019, revenue from our anti-infective drug portfolio amounted to approximately RMB1,829 million, accounting for approximately 21.1% of our total revenue.

Mailingda is our first self-developed innovative drug, and is also the latest generation of nitroimidazole-class drug indicated for treatment of pelvic inflammation, gangrenous appendicitis and suppurative appendicitis caused by certain bacteria in adults. It has a better safety profile than the previous generation of typical drug named ornidazole. In 2017, Mailingda was included in the NRDL after negotiation. The agreement with the National Healthcare Security Administration was renewed successfully in November 2019 through negotiation. During the year under review, revenue from Mailingda met our expectation.

***Gastrointestinal, diabetes and cardiovascular products***

Our drug portfolio of this segment mainly consists of, among others, Fulaimei (polyethylene glycol loxenatide for injection), Fulaidi (repaglinide tablets), Fulairui (canagliflozin tablets), Ruibote (rabeprazole sodium enteric-coated tablets), Zexin (apixaban tablets) and Ruiyisheng (prucalopride succinate tablets). For the year ended December 31, 2019, revenue from the drug portfolio in relation to the abovementioned areas amounted to approximately RMB1,153 million, accounting for approximately 13.3% of our total revenue.

Fulaimei (polyethylene glycol loxenatide for injection) is our self-developed innovative diabetes drug. With clear hypoglycemic efficacy and high safety, it requires only one injection per week, providing a new treatment choice to diabetes patients in China. Fulaimei is also the first innovative drug launched by using our proprietary PEGylation technology.

**Research and Development**

We have one of the largest R&D teams among pharmaceutical companies in China. Our dedicated professional R&D team consists of thousands of researchers working in two centres in Shanghai and Lianyungang. We have several national-level R&D designations, including the National Technology Center (國家級技術中心), Post-doctoral Research Station (博士後科研工作站) and Key National Laboratory (國家重點實驗室).

For the year ended December 31, 2019, R&D expenditure amounted to approximately RMB1,121 million, representing approximately 12.9% of our revenue. The R&D expenditure during this year increased by approximately 27.2% as compared with the previous year. On the one hand, we continued to make more investments in our independent R&D, resulting in continued increase in the clinical trial expenses of innovative drugs. On the other hand, we also introduced international advanced varieties through cooperation. The relevant expenses for technology introduction for this year were approximately RMB138 million.

We focus on R&D of innovative products in the fields such as CNS diseases, oncology, anti-infectives and diabetes. At present, we have more than 100 research projects, including 4 innovative drug projects entering into the phase II and post-phase II phases of clinical trials, and 20 projects which are for the development of bioequivalency (BE) (including the application for production). During the year under review, the Company has newly applied for and obtained clinical approvals of 2 drugs, and filed applications for marketing of 10 drugs, out of which 7 new drugs (including two innovative drugs and four first-to-market generic drugs) have been granted approval and among which 1 drug has passed the consistency evaluation. Among these, the self-developed innovative drug Fulaimei (polyethylene glycol loxenatide) has been approved for marketing. It has clear hypoglycemic efficacy and high safety, and is only required to be injected once a week, providing a new treatment choice for diabetes patients in China. Fulaimei is also the first-to-market innovative drug launched by using our proprietary PEGylation technology, which builds greater confidence for subsequent application of such technology. Hansoh Xinfu (flumatinib mesylate), a self-developed innovative drug, has been approved for launch during the year. This drug is a second-generation TKI targeting Bcr-Abl for the treatment of chronic myelogenous leukemia. Based on the results of existing clinical trials, its efficacy is greater than imatinib, no pleural effusion or cardiotoxicity which was incurred in the use of other second-generation drugs was found and its safety is higher. Almonertinib tablets (HS-10296), a self-developed innovative and a third-generation EGFR-TKI drug, has been accepted for new drug priority review after applying for marketing. It is indicated for treatment of patients with non-small cell lung cancer with EGFR-T790M mutation and is expected to significantly prolong the life expectancy of target patients upon its launch; meanwhile, the phase III clinical trials for patients with non-small cell lung cancer with EGFR mutation have completed the enrollment of patients for all clinical trials during the year under review. HS-10234, a self-developed innovative drug, has completed the enrollment of patients for all clinical trials during the year under review, and is expected to submit new drug application in 2020. This drug is expected to be used for the treatment of hepatitis B, and improves the efficacy while significantly reducing toxic side effect as compared with its previous generation of drug (TDF).

In addition to investment in R&D internally, the Group also actively sought external cooperation and acquisition opportunities. In May 2019, we entered into a cooperation agreement with Viela Bio, Inc. for the development of CD19 monoclonal antibody inebilizumab to treat NMOSD and other autoimmune diseases and hematologic malignancies in the PRC. NMOSD is a rare autoimmune disease in which overactive immune cells and autoantibodies in the patients attack the optic nerve and spinal cord, causing blindness, paraplegia, sensory loss, bladder dysfunction, and peripheral pain.

**Liquidity and Financial Resources**

For the year ended December 31, 2019, the Group's operating activities generated a net cash inflow of approximately RMB3,330 million. The turnover days of both trade receivables and inventory experienced a decrease. The capital expenditure for the year was RMB612 million, mainly relating to the construction, purchase of additional land, buildings and workshops, and the purchase of equipment, motor vehicles and software required for production, R&D and administrative activities. The Group's cash flow of financing activities for the year mainly consisted of the receivables upon the Listing of approximately RMB7,852 milllion and the payment of RMB1,500 million for our undistributed dividends declared before the Listing.

The Group's financial position remains sound. As at December 31, 2019, we had cash and bank balances of RMB8,238 million (as at December 31, 2018: RMB965 million), financial assets at fair value through profit or loss of RMB2,772 million (as at December 31, 2018: RMB2,016 million), and other financial assets of RMB3,583 million (as at December 31, 2018: RMB512 million). As at December 31, 2019, our financial assets at fair value through profit or loss and other financial assets primarily comprise of investments in financial products issued by commercial banks. Our purchase of financial products after the Listing does not constitute notifiable transactions of the Company under the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). As at December 31, 2019, the Group's gearing ratio (calculated as total liabilities divided by total assets) was approximately 33.4% (as at December 31, 2018: 70.7%).

Most of the Group's assets and liabilities are denominated in Renminbi, United States Dollars and Hong Kong Dollars. The Group manages its foreign exchange risk by closely monitoring its net foreign exchange exposure to reduce the impact of foreign exchange fluctuations.

**Pledge of Group Assets**

As at December 31, 2019, none of the Group's assets was subject to any encumbrance, mortgage, lien, charge or pledge.

**Contingent Liabilities**

As at December 31, 2019, the Group had no material contingent liabilities.

**Significant Investments Held**

During the year ended December 31, 2019, we did not have any significant investments.

**Future Plans for Material Investments and Capital Assets**

As at December 31, 2019, the Group did not have any plans for material investments and capital assets.

**Material Acquisitions and Disposals**

During the year ended December 31, 2019, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

**Employees and Emoluments Policy**

As at December 31, 2019, the Group had a total of 9,178 full-time employees, whose remuneration is determined based on their performance and experience as well as the prevailing market salary level. The staff costs, including remuneration of the directors of the Company, social welfare and other benefits, were approximately RMB1,566 million for the year ended December 31, 2019. We also provide regular training to employees designed to strengthen staff commitment to us and improve staff knowledge in a number of important areas of our services, such as knowledge about the Company and our products as well as sales, laws and regulations applicable to our operation, requirements under applicable GMP or other certifications, quality control, production safety and corporate culture.

We have conditionally approved and adopted a scheme for the grant of restricted share units ("**RSU Scheme**") on May 27, 2019 to recognize contributions by selected participants and give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. For details of the RSU Scheme, please refer to the prospectus of the Company dated May 31, 2019. As at December 31, 2019, no restricted share unit had been granted by the Company pursuant to the RSU Scheme.

**Prospects**

Given the acceleration of population aging in China and the continuously growing income level of Chinese residents, there is a rapid increase in health awareness and medical demand from the general public in China, leading to a growth in healthcare expenditure year by year. Cost control serves as an important initiative in the PRC medical reform. The scheme for centralized tendering with minimum procurement quantities of drugs fully implemented last year has a far-reaching impact on the development of the PRC pharmaceutical industry, which not only imposes pressure on pharmaceutical manufacturers to reduce prices, but also accelerates the process of industry differentiation and integration, promoting the sound and sustainable development of the industry. In the past few years, the PRC government has been continuously increasing medical investment in major diseases. In 2018, the PRC government held special negotiations on the inclusion of selected oncology drugs into the NRDL. In 2019, the PRC government carried out the largest negotiation on the inclusion of exclusive and patented drugs into the NRDL since the establishment of our medical insurance system, and introduced policies to support the development of medicines for chronic diseases including diabetes and hypertension, rare diseases and children, so as to meet the people's profound need for healthy life this year. Meanwhile, the establishment of dynamic adjustment mechanism of medical insurance and the implementation of a series of supporting measures, such as speeding up the review by the drug administration department, ensure the realization of objectives of medical reform policy. In the PRC pharmaceutical market with huge potential, the industry reform brings both opportunities and challenges to the development of pharmaceutical manufacturers, therefore the manufacturers' comprehensive competitiveness is critical to their future development. In the future, we will continue to enhance our core competitiveness in, among others, the fields of R&D, sales and production. The management of the Group is confident that, with the Group's strong competitive positioning of its innovative products, its strong product pipeline and its proven R&D capabilities, the Group is well positioned to enter a new phase of rapid growth.

**Acknowledgements**

On behalf of the Board, I would like to express my gratitude to our shareholders for their unwavering trust, support and understanding, as well as to all our staff for their dedication and efforts.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*FOR THE YEAR ENDED DECEMBER 31, 2019*

| | Notes | **2019** ***RMB'000*** | 2018 *RMB'000* |
|---|---|---|---|
| **REVENUE** | *5* | **8,682,746** | 7,722,278 |
| Cost of sales | | **(729,540)** | (603,100) |
| **Gross profit** | | **7,953,206** | 7,119,178 |
| Other income | *5* | **221,219** | 77,953 |
| Selling and distribution expenses | | **(3,266,380)** | (3,208,680) |
| Administrative expenses | | **(777,692)** | (790,158) |
| Research and development costs | | **(1,120,681)** | (881,288) |
| Other expenses, net | *5* | **(8,747)** | (7,680) |
| **PROFIT BEFORE TAX** | *6* | **3,000,925** | 2,309,325 |
| Income tax expense | *7* | **(444,183)** | (406,277) |
| **PROFIT FOR THE YEAR** | | **2,556,742** | 1,903,048 |
| **Attributable to:** | | | |
| **Owners of the parent** | | **2,556,742** | 1,903,048 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic and diluted (RMB) | *9* | **0.47** | 0.38 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED DECEMBER 31, 2019*

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **PROFIT FOR THE YEAR** | **2,556,742** | 1,903,048 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **185,286** | 46,160 |
| **Net other comprehensive income that may be reclassified to profit or loss in subsequent periods** | **185,286** | 46,160 |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | **185,286** | 46,160 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **2,742,028** | 1,949,208 |
| Attributable to: | | |
| Owners of the parent | **2,742,028** | 1,949,208 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT DECEMBER 31, 2019*

| | Notes | 2019 ***RMB'000*** | 2018 *RMB'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **1,740,832** | 1,381,825 |
| Right-of-use assets | | **187,100** | – |
| Prepaid land lease payments | | **–** | 138,847 |
| Intangible assets | | **4,568** | 10,475 |
| Prepayments for purchase of property, plant and equipment | | **194,706** | 199,039 |
| **Total non-current assets** | | **2,127,206** | 1,730,186 |
| **CURRENT ASSETS** | | | |
| Inventories | | **414,348** | 479,664 |
| Trade and bills receivables | *10* | **2,245,959** | 2,645,207 |
| Prepayments, other receivables and other assets | | **193,772** | 66,252 |
| Financial assets at fair value through profit or loss | | **2,772,040** | 2,016,439 |
| Other financial assets | | **3,583,457** | 511,792 |
| Cash and bank balances | *11* | **8,238,422** | 964,831 |
| **Total current assets** | | **17,447,998** | 6,684,185 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | *12* | **192,850** | 158,810 |
| Other payables and accruals | *13* | **1,762,676** | 1,460,221 |
| Contract liabilities | | **40,469** | 36,311 |
| Lease liabilities | | **3,653** | – |
| Tax payable | | **40,684** | 48,443 |
| Dividends payable | | **4,200,000** | 2,800,000 |
| **Total current liabilities** | | **6,240,332** | 4,503,785 |
| **NET CURRENT ASSETS** | | **11,207,666** | 2,180,400 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **13,334,872** | 3,910,586 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (CONTINUED)
*AS AT DECEMBER 31, 2019*

| | Notes | **2019** ***RMB'000*** | 2018 *RMB'000* |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Dividends payable | | **–** | 1,200,000 |
| Lease liabilities | | **5,783** | – |
| Deferred tax liabilities | | **284,767** | 242,688 |
| **Total non-current liabilities** | | **290,550** | 1,442,688 |
| **NET ASSETS** | | **13,044,322** | 2,467,898 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | *14* | **51** | 1 |
| Reserves | | **13,044,271** | 2,467,897 |
| | | **13,044,322** | 2,467,898 |
| Non-controlling interests | | **–** | – |
| **Total equity** | | **13,044,322** | 2,467,898 |

## 1. CORPORATE AND GROUP INFORMATION

Hansoh Pharmaceutical Group Company Limited (the "**Company**") is an exempted company incorporated in the Cayman Islands with limited liability. The registered office of the Company is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 14 June 2019.

The Company is an investment holding company. During the year, the Company and its subsidiaries (together, the "**Group**") were principally engaged in the research and development, production and sale of a series of pharmaceutical products in the People's Republic of China (the "**PRC**").

## 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation* |
| HKFRS 16 | *Leases* |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement* |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures* |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments* |
| *Annual Improvements to HKFRSs 2015-2017 Cycle* | Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 |

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised HKFRSs has had no significant financial effect on these financial statements.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17 and related interpretations.

**New definition of a lease**

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

**As a lessee – Leases previously classified as operating leases**

***Nature of the effect of adoption of HKFRS 16***

The Group has lease contracts for various items of land use right, property and vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities.

***Impacts on transition***

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and present separately in the statement of financial position.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Relying on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review

Accordingly, the Group recognised right-of-use assets of RMB142,005,000 as at 1 January 2019. Prepaid rental of RMB142,005,000 was derecognised, resulting in a decrease in prepaid land lease payments and a decrease in prepayments, other receivables and other assets of RMB138,847,000 and RMB3,158,000, respectively, as at 1 January 2019.

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

| | *RMB'000* |
|---|---|
| Operating lease commitments as at 31 December 2018 | 624 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 4.75% |
| Discounted operating lease commitments as at 1 January 2019 | 612 |
| Less: Commitments relating to leases of low-value assets | (612) |
| Lease liabilities as at 1 January 2019 | – |

## 4. OPERATING SEGMENT INFORMATION

**Information about geographical areas**

Since over 90% of the Group's revenue and operating profit were generated from the sales of pharmaceutical products in Mainland China and most of the Group's identifiable operating assets and liabilities were located in Mainland China, no geographical segment information in accordance with HKFRS 8 *Operating Segments* is presented.

**Information about major customers**

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the reporting period.

## 5. REVENUE, OTHER INCOME AND OTHER EXPENSES, NET

An analysis of revenue, other income and other expenses, net is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue from contracts with customers** | | |
| Sales of goods – at a point in time | **8,682,746** | 7,722,278 |
| **Other income** | | |
| Investment income | **25,871** | 17,666 |
| Government grants | **33,520** | 33,489 |
| Rendering research and development services | **7,266** | 21,966 |
| Bank interest income | **153,582** | 2,853 |
| Dividend income from equity investments at fair value through profit or loss | **-** | 8 |
| Others | **980** | 1,971 |
| | **221,219** | 77,953 |
| **Other expenses, net** | | |
| Loss on disposal of items of property, plant and equipment | **(1,291)** | (727) |
| Fair value gains of financial assets at fair value through profit or loss | **23,113** | 31,764 |
| Donations | **(38,661)** | (39,382) |
| Foreign exchange gains, net | **9,947** | 2,382 |
| Impairment of trade receivables, net | **1,003** | (2,567) |
| Impairment of inventories, net | **(7,989)** | – |
| Interest expense on lease liabilities | **(123)** | – |
| Others | **5,254** | 850 |
| | **(8,747)** | (7,680) |

## 6. PROFIT BEFORE TAX

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

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of inventories sold | **444,566** | 386,594 |
| Depreciation of property, plant and equipment | **183,675** | 148,624 |
| Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments) | **5,886** | 2,831 |
| Amortisation of intangible assets | **11,993** | 7,641 |
| Impairment of trade receivables, net | **(1,003)** | 2,567 |
| Impairment of inventories, net | **7,989** | – |
| Operating lease expenses | **7,881** | 3,716 |
| Auditors' remuneration | **5,660** | 6,625 |
| Loss on disposal of items of property, plant and equipment | **1,291** | 727 |
| Dividend income from equity investments at fair value through profit or loss | **–** | (8) |
| Investment income | **(25,871)** | (17,666) |
| Fair value gains of financial assets at fair value through profit or loss | **(23,113)** | (31,764) |
| Bank interest income | **(153,582)** | (2,853) |
| Foreign exchange gains, net | **(9,947)** | (2,382) |
| Employee benefit expense: | | |
| Wages and salaries | **1,239,317** | 936,533 |
| Social welfare and other benefits | **326,634** | 257,439 |
| | **1,565,951** | 1,193,972 |

## 7. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or British Virgin Islands.

The subsidiary incorporated in Hong Kong and subsidiaries registered as a Hong Kong tax resident are subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the reporting period.

The provision for PRC corporate income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential tax rates.

In 2014, Jiangsu Hansoh Pharmaceutical Group Co., Ltd. ("Jiangsu Hansoh") was accredited as a "High and New Technology Enterprise" ("HNTE") and was entitled to a preferential income tax rate of 15% for a period of three years from 2014 to 2016. Jiangsu Hansoh subsequently renewed its HNTE qualification in 2017, and was entitled to the preferential tax rate of 15% from 2017 to 2019.

In 2017, Shanghai Hansen Technology Company Limited was initially accredited as a HNTE, and thus entitled to a preferential income tax rate of 15% from 2017 to 2019.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign invested enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

The income tax expense of the Group for the year is analysed as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current income tax | **402,104** | 291,273 |
| Deferred income tax | **42,079** | 115,004 |
| Tax charge for the year | **444,183** | 406,277 |

## 8. DIVIDENDS

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Distribution to the then shareholders | **1,700,000** | 4,000,000 |

*Notes:*

Pursuant to the Company's board resolution dated 31 July 2018, the Company declared dividends of RMB4,000,000,000 to the then shareholders.

Pursuant to the Company's board resolution and the resolution of the shareholders of the Company dated 27 May 2019, the Company declared dividends of RMB1,700,000,000 to the then shareholders.

Save as disclosed above, no other dividend was proposed for the year ended 31 December 2019.

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue for the years 2019 and 2018.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share and diluted earnings per share has been retrospectively adjusted for the effect of capitalisation issue as disclosed in note 14.

The Group had no potentially dilutive shares in issue during the years ended 31 December 2019 and 2018.

The calculations of basic and diluted earnings per share are based on:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation | **2,556,742** | 1,903,048 |

| | **Adjusted number of shares** | |
|---|---|---|
| | **2019** | 2018 |
| Shares | | |
| Adjusted weighted average number of shares in issue during the year used in the basic and diluted earnings per share calculation | **5,477,489,291** | 5,000,000,000 |

## 10. TRADE AND BILLS RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **1,551,688** | 1,610,677 |
| Impairment | **(1,011)** | (5,870) |
| | **1,550,677** | 1,604,807 |
| Bills receivable | **695,282** | 1,040,400 |
| | **2,245,959** | 2,645,207 |

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally from 60 to 180 days. 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **1,517,015** | 1,560,095 |
| 91 days to 180 days | **33,619** | 41,346 |
| Over 180 days | **43** | 3,366 |
| | **1,550,677** | 1,604,807 |

An ageing analysis of bills receivable as at the end of the reporting period, based on the billing date, is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **405,607** | 608,017 |
| 91 days to 180 days | **289,675** | 431,883 |
| Over 180 days | **–** | 500 |
| | **695,282** | 1,040,400 |

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Based on past experience and forward-looking information, the directors of the Company are of the opinion that there is no significant credit risk associated with bills receivables and no credit loss allowance is necessary since the counterparties are substantially reputable state-owned banks and other medium or large-sized listed banks with no history of default.

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the ageing. The movements in the loss allowance for impairment of trade receivables are as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **5,870** | 12,598 |
| Impairment losses, net *(note 6)* | **(1,003)** | 2,567 |
| Amount written-off as uncollectible | **(3,856)** | (9,295) |
| At end of year | **1,011** | 5,870 |

## 11. CASH AND BANK BALANCES

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cash and bank balances, unrestricted | **3,411,166** | 653,183 |
| Bank deposits with initial terms of less than three months when acquired | **1,933,693** | 311,648 |
| Bank deposits with initial terms of over three months when acquired *(note (a))* | **2,893,563** | – |
| Cash and bank balances | **8,238,422** | 964,831 |

*Note :*

(a) The above investments represent time deposits with initial terms of over three months when acquired (including three months) issued by commercial banks with annual return rates ranging from 1.50% to 3.15%. None of these investments are either past due or impaired. None of these deposits are pledged.

## 12. TRADE AND BILLS PAYABLES

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **88,432** | 95,291 |
| Bills payable | **104,418** | 63,519 |
| | **192,850** | 158,810 |

An ageing analysis of the trade and bills payable as at the end of the reporting period, based on the invoice date, is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **139,094** | 121,530 |
| 91 days to 180 days | **52,965** | 36,386 |
| 181 days to 1 year | **151** | 321 |
| Over 1 year | **640** | 573 |
| | **192,850** | 158,810 |

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

## 13. OTHER PAYABLES AND ACCRUALS

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Accrued expenses | **1,009,471** | 586,816 |
| Staff payroll, welfare and bonus payables | **385,345** | 366,306 |
| Payables for purchase of items of property, plant and equipment | **73,059** | 75,329 |
| Other tax payables | **63,875** | 74,630 |
| Other payables | **230,926** | 357,140 |
| | **1,762,676** | 1,460,221 |

## 14. SHARE CAPITAL

| | 2019<br>*RMB* | 2018<br>*RMB* |
|---|---|---|
| Issued and fully paid: | | |
| 5,788,611,200 shares of HKD0.00001 each (31 December 2018: 10,000 shares of USD0.01 each) | **50,951** | 652 |

A summary of movements in the Company's share capital is as follows:

| | Number of shares in issue | Share capital<br>*RMB* |
|---|---|---|
| At 1 January 2019 | 10,000 | 652 |
| Issue of shares of USD0.01 each *(note (a))* | 309.2784 | 21 |
| Capitalisation issue *(note (b))*: | | |
| 10,309.2784 shares of USD0.01 each repurchased and cancelled | (10,309.2784) | (673) |
| 5,154,639,200 shares of HKD0.00001 each allotted and issued | 5,154,639,200 | 45,368 |
| Initial Public Offering – issue of shares of HKD0.00001 each *(note (c))* | 551,280,000 | 4,854 |
| The full exercise of the over-allotment option – issue of shares of HKD0.00001 each *(note (d))* | 82,692,000 | 729 |
| At 31 December 2019 | 5,788,611,200 | 50,951 |

*Notes:*

(a) On 12 February, 2019, the Company allotted and issued 309.2784 shares of a par value of USD0.01 to Catalunya Heritage Limited for a total cash consideration of approximately USD248,582,000 (RMB1,682,278,000).

(b) On 14 June 2019, the authorised share capital was increased from USD10,000 divided into 1,000,000 shares of a par value of USD0.01 each to the aggregate of USD10,000 and HKD200,000 divided into (i) 1,000,000 shares of a par value of USD0.01 each and (ii) 20,000,000,000 shares of a par value of HKD0.00001 each by the creation of 20,000,000,000 shares of a par value of HKD0.00001 each.

103,092,784 shares of a par value of HKD0.00001 each were allotted and issued to the then existing shareholders in proportion to their respective shareholdings in the Company and credited as fully paid. 10,309.2784 shares of a par value of USD0.01 each of the Company were repurchased and cancelled and the authorised share capital was reduced by cancellation of the 1,000,000 authorised but unissued shares of a par value of USD0.01 each, following which, the authorised share capital of the Company was HKD200,000 divided into 20,000,000,000 shares of a par value of HKD0.00001 each.

5,051,546,416 shares of a par value of HKD0.00001 each were allotted and issued to the then existing shareholders in proportion to their respective shareholdings in the Company and credited as fully paid at par value, by way of capitalisation of the sum of HKD50,515.46 standing to the credit of the share premium account of the Company.

(c) In connection with the Company's Global Offering, 551,280,000 ordinary shares of a par value of HKD0.00001 each were issued at a price of HKD14.26 per share for a total cash consideration, before deducting the underwriting fees and commissions and other estimated listing expenses, of approximately HKD7,861,253,000 (approximately RMB6,921,304,000). Dealing in the shares of the Company on the Stock Exchange commenced on 14 June 2019.

(d) The Company issued and allotted 82,692,000 shares at a price of HKD14.26 per share on 10 July 2019 pursuant to the full exercise of the over-allotment option. The gross proceeds received by the Company were approximately HKD1,179,188,000 (equivalent to approximately RMB1,039,549,000).

## EVENTS AFTER THE REPORTING PERIOD

After December 31, 2019, the following material events have occurred to the Company:

In March 2020, "almonertinib mesylate tablets" (product name "**Ameile**" (阿美樂®)), a Category 1 innovative drug developed by Jiangsu Hansoh Pharmaceutical Group Co., Ltd. (江蘇豪森藥業集團有限公司), a subsidiary of the Company, has been granted drug registration approval by the National Medical Products Administration of the PRC, and is indicated for treatment of patients with locally advanced or metastatic non-small cell lung cancer with T790M mutation, who have progressed on or after EGFR-tyrosine kinase inhibitor therapy.

In early 2020, the Company actively donated supplies and funds to affected areas through charitable organizations after the outbreak of novel coronavirus (COVID-19), so as to help combat the pandemic.

Meanwhile, the Company took scientific countermeasures to resume work normally to ensure the progress of each business segment such as production, R&D and operation. The short-term impact on product promotion of the Company is under control.

The Company will continuously monitor the development of the pandemic and assess relevant impact on the overall operations performance of the Group.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance. The CG Code has been applicable to the Company with effect from the Listing Date.

The Board is of the view that the Company has complied with all the code provisions as set out in the CG Code during the period from the Listing Date to December 31, 2019, save for code provisions A.2.1 and A.5.1 of the CG Code.

### Code Provision A.2.1

Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company has appointed Ms. Zhong Huijuan ("**Ms. Zhong**") as both the chairlady and the chief executive officer of the Company. Due to the nature and the extent of the Group's operations and Ms. Zhong's in-depth knowledge and experience in the PRC pharmaceutical industry, the Board considers that the balance of power and authority under the present arrangement is not impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairlady of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

**Code Provision A.5.1**

Code provision A.5.1 of the CG Code states that issuers should establish a nomination committee. The Company did not establish a nomination committee as the Board considers that, having considered the size of the Group, the determination of appointment and removal of Directors is a collective decision of the Board. The Board is empowered under the articles of association of the Company to appoint any person as a director either to fill a casual vacancy on or as an addition to the Board. The Board will select and recommend candidates for directorship and senior management having regard to the balance of skills, experience and qualifications appropriate to the Group's business.

The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions of the Company by Directors (the "**Company Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Company Code has been applicable to the Company with effect from the Listing Date. Specific enquiry has been made to all Directors and all of them have confirmed that they have complied with the Company Code for the period from the Listing Date to December 31, 2019.

## AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of two independent non-executive Directors, namely Mr. Chan Charles Sheung Wai (chairman of the Audit Committee) and Mr. Lin Guoqiang, and one non-executive Director, namely Ms. Ma Cuifang.

The Audit Committee and the external auditor have reviewed the audited results of the Group for the year ended December 31, 2019. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the Listing Date and up to December 31, 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## FINAL DIVIDEND

Save for the special dividends declared by the Company on May 27, 2019, the Board did not recommend payment of any final dividend for the year ended December 31, 2019.

## USE OF PROCEEDS FROM THE LISTING

The net proceeds from the initial public offering of the shares of the Company in June 2019 and allotment and issuance of shares pursuant to the full exercise of the over-allotment option in July 2019 amounted to approximately HKD8.798 billion. The proposed use of the net proceeds was disclosed in the Company's prospectus dated May 31, 2019. As at December 31, 2019, the net proceeds utilized was approximately HKD1.813 billion and the remaining net proceeds was approximately HKD6.985 billion. The Company intends to continue to utilize the remaining net proceeds in the future for the purposes as set out in the prospectus. As at December 31, 2019, the net proceeds utilized by the Group were as follows:

| Purpose | Percentage of the total amount | Net proceeds received (HKD100 million) | Utilized from the Listing Date to December 31, 2019 (HKD100 million) | Unutilized as at December 31, 2019 (HKD100 million) | Expected time frame |
|---|---|---|---|---|---|
| R&D programs, expanding our R&D team and investment in technologies | 45% | 39.59 | 5.10 | 34.49 | The balance is expected to be fully utilized by 2025 |
| Manufacturing system to construct new production lines and further automate existing production facilities | 25% | 21.99 | 3.79 | 18.20 | The balance is expected to be fully utilized by 2023 |
| Enhancement of sales and academic promotion | 20% | 17.60 | 6.12 | 11.48 | The balance is expected to be fully utilized by 2023 |
| Working capital and other general purposes | 10% | 8.80 | 3.12 | 5.68 | The balance is expected to be fully utilized by 2023 |
| Total | 100% | 87.98 | 18.13 | 69.85 | |

For more details, please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" of the prospectus.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.hspharm.com**). The annual report for the year ended December 31, 2019 will be dispatched to the shareholders of the Company and available on the same websites in due course.

By Order of the Board
**Hansoh Pharmaceutical Group Company Limited**
**Zhong Huijuan**
*Chairlady*

Hong Kong, March 30, 2020

*As at the date of this announcement, the Board comprises Ms. Zhong Huijuan as the chairlady and executive Director, Mr. Lyu Aifeng and Miss Sun Yuan as executive Directors, Ms. Ma Cuifang as the non-executive Director; and Mr. Lin Guoqiang, Mr. Chan Charles Sheung Wai and Ms. Yang Dongtao as independent non-executive Directors.*