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, 2021

The board (the "**Board**") of directors (the "**Directors**") of Hansoh Pharmaceutical Group Company Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2021 (the "**Reporting Period**"), together with the comparative figures for the corresponding period of the previous 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, 2021, the Group recorded the following audited results:

- Revenue was approximately RMB9,935 million, representing an increase of approximately 14.3% compared with the year ended December 31, 2020;
- R&D expenditure was approximately RMB1,797 million, representing an increase of approximately 43.5% compared with the year ended December 31, 2020, and accounted for approximately 18.1% of the revenue;
- Net profit was approximately RMB2,713 million, representing an increase of approximately 5.6% compared with the year ended December 31, 2020;
- Earnings per share was approximately RMB0.46, representing an increase of approximately 4.8% compared with the year ended December 31, 2020;
- Sales revenue of innovative drugs amounted to approximately RMB4,202 million, representing an increase of approximately 168.9% as compared with the year ended December 31, 2020, and the proportion of the total revenue increased from 18.0% for the year ended December 31, 2020 to 42.3% for the year ended December 31, 2021.

The Board recommends a final dividend of RMB7.32 cents (equivalent to HK$9.00 cents) per share for the year ended December 31, 2021, subject to the approval of the shareholders at the AGM.

CORPORATE OVERVIEW

The Company is one of the leading research and development ("**R&D**") and innovation-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 metabolic diseases.

The core driving force of the Company is its focus on innovation. The Group has continuously increased its investments in R&D over the years, established sound R&D platforms and mastered a number of proprietary technologies, as well as developed a series of innovative drugs which are currently under different stage of R&D. As of the end of the Reporting Period, the Group obtained marketing approval in China for 5 Category 1 self-developed innovative drugs, which were all included in the National Reimbursement Drug List ("**NRDL**") released by the National Healthcare Security Administration of the People's Republic of China ("**NHSA**"). During the Reporting Period, the Group obtained marketing approval for a total of 11 new products, including 2 innovative drugs (inclusive of new indications): Hengmu (tenofovir amibufenamide tablets), which is used for the treatment of chronic hepatitis B in adult patients, and Ameile (aumolertinib mesylate tablets), which is used for the first-line treatment of non-small cell lung cancer ("**NSCLC**") as a new indication. The Company has newly filed and obtained clinical approvals for 15 products, including 14 clinical approvals related to innovative drug programs; and filed 8 applications for marketing approvals, including 2 innovative drugs (inclusive of new indications), being Pegmolesatide (formerly known as PEG Sihematide), an innovative drug, and Ameile (aumolertinib mesylate tablets) as the first-line treatment of NSCLC as a new indication, which has been approved during the Reporting Period.

The Group attaches great importance to product quality. It has maintained the advanced nature of its production quality system by passing overseas certification, meanwhile 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.

As the self-developed innovative drugs are approved for marketing constantly, the Group devotes efforts to improve its professional marketing capability and increase the recognition and knowledge of medical professionals regarding the self-developed innovative drugs. During the Reporting Period, the sales revenue of innovative drugs amounted to approximately RMB4,202 million, representing a year-on-year increase of approximately 168.9%, and the proportion of the total revenue of the Group increased from 18.0% for the corresponding period of the previous year to 42.3%.

The Group's major achievements during the Reporting Period were as follows:

In January 2021, the Company successfully completed the issuance and listing of US$600 million zero-coupon convertible bonds due in 2026.

In June 2021, the Group's Category 1 innovative drug, Hengmu (tenofovir amibufenamide tablets), was granted drug registration approval by the National Medical Products Administration of the People's Republic of China ("**NMPA**").

In June 2021, Blossom Biosciences was co-founded and incubated by the Group and Cormorant Asset Management, which co-led and completed the US$72 million Series A financing.

In August 2021, Jiangsu Hansoh Pharmaceutical Group Co., Ltd.* (江蘇豪森藥業集團有限公司), a subsidiary of the Company, was honored as China's Best Industrial Enterprises in Pharmaceutical R&D Pipeline* (中國醫藥研發產品線最佳工業企業) by China National Pharmaceutical Industry Information Center* (中國醫藥工業信息中心).

In December 2021, the Group held a grand opening for its global operation headquarter and R&D center, and embarked on a new journey of the Group's innovation and globalization at full steam.

In December 2021, the Group's innovative drug, Hengmu (tenofovir amibufenamide tablets), was included into the updated NRDL.

In December 2021, the Group's Category 1 innovative drug, Ameile (aumolertinib mesylate tablets), was granted drug registration approval by the NMPA as the first-line treatment of adult patients with locally advanced or metastatic NSCLC whose tumors have EGFR exon 19 deletions or exon 21 (L858R) substitution mutation.

The Company places a high value on environmental, social and governance (ESG) management and improvement. In its latest ESG rating report released in 2021, MSCI upgraded the rating of the Company from BBB to A.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

During the Reporting Period, China entered into the normalization stage in terms of COVID-19 preventive measures and the economy witnessed a positive and steady recovery. The pharmaceutical industry is expected to maintain a development trend with a growth rate higher than that of the macro-economy and benefits from rising inelastic demand for medical services as driven by the ageing population and consumption upgrade in China.

In line with the continuous promotion of policies for medical reform, China's pharmaceutical industry underwent a new round of transformation and upgrade. At the same time, the R&D and launch of innovative drugs gained rapid momentum. In November 2021, the Centre for Drug Evaluation of the NMPA issued the Clinical Value-Oriented Oncology Drug Clinical Development Guidelines* (《以臨床價值為導向的抗腫瘤藥物臨床研發指導原則》), which proposed more stringent requirements in relation to the effectiveness and innovativeness of R&D and innovation for pharmaceutical companies. Pharmaceutical companies that define new technology as the driving force, patients' needs as the core and clinical value as the orientation enjoy increasing competitive edges and align well with the industry development trend.

Business Highlights

The Group continues its innovation transformation. During the Reporting Period, the Group's sales revenue of innovative drugs amounted to approximately RMB4,202 million, representing a year-on-year increase of approximately 168.9%, and the proportion of innovative drugs sales revenue increased to 42.3% from 18.0% for the corresponding period of the previous year. In terms of innovation and R&D, the Group continued to increase R&D investment to increase the innovation capability and R&D efficiency. As at the end of the Reporting Period, a total of 5 innovative drugs were approved for marketing and all of them were included in the NRDL, among which, the approval of the innovative drug Ameile (aumolertinib mesylate tablets) for the first-line treatment of NSCLC as a new indication was obtained during the Reporting Period. At the same time, Hengmu (tenofovir amibufenamide tablets) was approved in June 2021 and was included in the NRDL in the same year. As at the end of the Reporting Period, the Group had about 1,650 R&D staff and over 10 new innovative drug programs entering clinical stage. The headquarter of the global operation and R&D center was also put into operation in the Reporting Period. Meanwhile, the Group paid close attention to frontier technology in the global pharmaceutical industry. With respect to business development ("**BD**"), it enhanced the Group's innovation capabilities and enriched its innovation product pipeline through in-licensing and joint development. During the Reporting Period, two clinical-stage products were licensed in and various platforms collaborations were established. The Group kept on promoting marketing transformation and upgrades during the Reporting Period. About 300 investigators initiated clinical studies for our marketed innovation drugs. Such studies generate extensive clinical evidence for expanding the application of our innovative drugs in practice and enhance the confidence of both doctors and patients on treatment. Apart from that, the Group continued to build the professional market access team so that it could realize coverage of large hospitals promptly after the inclusion of innovative drug products in the NRDL. In order to improve the efficiency of marketing operation, the Group advanced the marketing support system, optimized the information data platform and the marketing efficiency system, and strengthened compliance management and training.

For the year ended December 31, 2021, the Group recorded revenue of approximately RMB9,935 million during the Reporting Period, representing an increase of approximately 14.3% compared with the corresponding period of the previous year; net profit of approximately RMB2,713 million, representing an increase of approximately 5.6% compared with the corresponding period of the previous year; and earnings per share of approximately RMB0.46, representing an increase of approximately 4.8% compared with the corresponding period of the previous year.

We generate substantially all of our revenue from sales of pharmaceutical products. Our main products are in the oncology, anti-infectives, CNS diseases, metabolic diseases and other main therapeutic areas the Group strategically targets at, in which sales revenue of innovative drugs amounted to approximately RMB4,202 million, representing an increase of approximately 168.9% as compared with the year ended December 31, 2020, and the proportion of the total revenue increased from 18.0% for the year ended December 31, 2020 to 42.3% for the year ended December 31, 2021.

In respect of oncology products, we primarily focus on the treatment of solid tumors with high incidence such as lung cancer , as well as hematological cancer. Our oncology product portfolio mainly consists of Ameile (aumolertinib mesylate tablets), an innovative drug, Hansoh Xinfu (flumatinib mesylate tablets), an innovative drug, Pulaile (pemetrexed disodium for injection), Zefei (gemcitabine hydrochloride for injection), Xinwei (imatinib mesylate tablets), Xintai (bortezomib for injection) and Tanneng (fosaprepitant dimeglumine for injection). During the Reporting Period, revenue from our oncology drug portfolio amounted to approximately RMB5,481 million, accounting for approximately 55.2% of the total revenue of the Group.

Our anti-infective product portfolio mainly consists of, among others, Mailingda (morinidazole sodium chloride injection), an innovative drug, Hengmu (tenofovir amibufenamide tablets), an innovative drug, Zetan (tigecycline for injection), Hengjie (linezolid glucose formulations) and Hengsen (micafungin sodium for injection). The Company mainly focuses on treatment products for drug-resistant bacteria as the clinical needs of these products are increasing. Meanwhile, the Company adopts rational drug use as the guiding direction for academic activities of anti-infective drugs, so as to promote the regulated clinical use of anti-infective drugs. During the Reporting Period, revenue from our anti-infective drug portfolio amounted to approximately RMB1,503 million, accounting for approximately 15.1% of the total revenue of the Group.

Our CNS disease product portfolio mainly consists of, among others, Oulanning (olanzapine oral dose formulations) and Ameining (agomelatine tablets). During the Reporting Period, revenue from our CNS disease drug portfolio amounted to approximately RMB1,678 million, accounting for approximately 16.9% of the total revenue of the Group.

Product portfolio of metabolic diseases and other areas mainly consists of, among others, Fulaimei (PEG-loxenatide for injection), an innovative drug, Ruibote (rabeprazole sodium enteric-coated tablets) and Fulaidi (repaglinide tablets). During the Reporting Period, revenue from the drug portfolio in relation to the abovementioned areas amounted to approximately RMB1,273 million, accounting for approximately 12.8% of the total revenue of the Group.

Innovative Drug Products

During the Reporting Period, the sales revenue of innovative drugs amounted to approximately RMB4,202 million, representing a year-on-year increase of approximately 168.9% and accounted for approximately 42.3% of the Group's total revenue. The sales revenue of innovative drugs includes the revenues of five innovative drug products, namely Ameile, Hansoh Xinfu, Mailingda, Fulaimei and Hengmu. Ameile, Hansoh Xinfu and Fulaimei were included in the NRDL which is effective since March 2021, which allowed them to swiftly cover hundreds of large hospitals and DTP pharmacies. With the rising coverage rate, the number of patients using these drugs increased significantly. Mailingda renewed the agreement with the NHSA for the second time and remained in the NRDL. Capitalizing on the extensive experience in clinical use, it continued to maintain its rapid growth. In June 2021, Hengmu was approved for marketing and its clinical data was well-known by hepatitis B experts nationwide as a result of active academic promotion activities of the Group. In 2021, Hengmu was included in the NRDL following medical insurance negotiation which is effective starting from January 2022, and hence, its timeline from approval for marketing to entering into the NRDL was shortest in the Group.

Ameile

Ameile (aumolertinib mesylate tablets) is the first innovative third-generation EGFR-TKI drug wholly developed in China. In December 2021, Ameile obtained approval to be used as the first-line treatment for adult patients with locally advanced or metastatic NSCLC whose tumors have epidermal growth factor receptor (EGFR) exon 19 deletions or exon 21 (L858R) substitute mutation positive. In 2020, Ameile obtained approval for the treatment of patients with locally advanced or metastatic NSCLC with T790M mutation, who have progressed on or after EGFR-TKI therapy. Ameile was included in the NRDL after negotiations in 2020 which is effective starting from March 2021.

In February 2021, Ameile met its primary end point as first-line treatment for patients with locally advanced or metastatic EGFR-mutated NSCLC in the Phase 3 clinical data. Its concrete clinical data, which were presented at the ASCO Meeting in June 2021, shows that the median progression-free survival (mPFS) of the first-line treatment of NSCLC achieved 19.3 months. In September 2021, the overall survival data of Ameile as the treatment of patients with locally advanced or metastatic NSCLC with T790M mutation, who have progressed on or after EGFR-TKI therapy, were presented at the ESMO Meeting, reporting that the median survival (mOS) of the second-line treatment of NSCLC achieved 30.2 months.

Since its launch, Ameile has been widely prescribed in clinical practices, bringing new hope to lung cancer patients in China. Ameile has been included in the Guidelines of Chinese Society of Clinical Oncology for the treatment of Non-small Cell Lung Cancer in 2020* (《2020 年 CSCO 非小細胞肺癌診療指南》) due to its efficacy and safety which were highly recognized by clinical experts, and has been renewed and included in the recommendation for first-line indications in the Guidelines of Chinese Society of Clinical Oncology for the treatment of Non-small Cell Lung Cancer in 2021* (《2021年CSCO非小細胞肺癌診療指南》).

Hansoh Xinfu

Hansoh Xinfu (flumatinib mesylate tablets) is the second-generation Bcr-Abl TKI. Hansoh Xinfu was included in the NRDL after negotiations in 2020 which is effective since March 2021. Hansoh Xinfu is used for the treatment of chronic myelogenous leukemia. Based on the results of existing clinical trials, its efficacy is better than that of imatinib. Further, no pleural effusion or cardiotoxicity which incurred in the use of other second-generation Bcr-Abl TKI and its safety is more favorable. Since its launch, patients have been benefited significantly and the product has been adopted for long-term application by an increasing number of patients. Hansoh Xinfu is recommended as the first-line treatment for chronic myelogenous leukemia in the Guidelines for Diagnosis and Treatment of Chronic Myelogenous Leukemia in China (2020 Edition)* (《中國慢性髓性白血病診斷與治療指南(2020版) 》).

Mailingda

Mailingda (morinidazole sodium chloride for injection) is the first self-developed innovative drug of the Group. In December 2021, it was included in the NRDL after negotiation and renewed the agreement with the NHSA without further price cut. Mailingda is the latest generation of nitroimidazole-class drug indicated for treatment of pelvic inflammatory disease in women, as well as combined surgery for the treatment of suppurative appendicitis and gangrenous appendicitis. It has a better safety profile than the previous generation of typical drug named ornidazole. Mailingda is recommended in the treatment of intra-abdominal infection in the Chinese Guideline for the Diagnosis and Treatment of Intra-abdominal Infection (2019 Edition)* (《中國腹腔感染診治指南(2019版)》). In 2017, Mailingda was included in the NRDL after negotiation. The agreement with the NHSA was successfully renewed twice consecutively in November 2019 and December 2021, respectively.

Fulaimei

Fulaimei (PEG-loxenatide for injection) is the Group's self-developed innovative diabetes drug. Fulaimei was included in the NRDL after negotiations in 2020 which is effective starting from March 2021. Fulaimei is the first innovative drug launched by using the Group's proprietary PEGylation technology. With significant lowering blood sugar efficacy and good safety, it requires only once weekly administration. It is the first long-acting GLP-1 innovative drug wholly developed in China, providing a new treatment option to diabetes patients in China. Fulaimei has been included in the Prevention and Therapy Guidelines for Type 2 Diabetes in China (2020 Edition)*(《中國 2 型糖尿病防治指南(2020 版)》) released by the Chinese Diabetes Society (CDS) in April 2021.

Hengmu

Hengmu (tenofovir amibufenamide tablets) is the novel Tenofovir prodrug self-developed by the Group. The product is also the first wholly developed oral dose medicine indicated for the treatment of hepatitis B virus (HBV) infection in China. Hengmu was approved for marketing in June 2021 and was included in the NRDL in the same year through negotiation. Hengmu is a new type of nucleotide reverse transcriptase inhibitors. By optimizing the structure, the drug has higher cell membrane penetration rate and is easier to enter liver cells so as to achieve liver-targeting, which effectively improve drug plasma stability and reduce patient's exposure to tenofovir. It is a safer long-term treatment option. In November 2021, Hengmu was recommended by the Expert Consensus on Antiviral Therapy for HBV/HCV-related Hepatocellular Carcinoma (2021 Updated Version)* (《HBV/HCV 相關肝細胞癌抗病毒治療專家共識(2021 年更新版)》) to be used as a first-line HBV antiviral medicine in the "antiviral therapy for secondary prevention of HBV-related HCC".

R&D and Innovation

The Group have one of the largest R&D teams among pharmaceutical companies in China. Our professional R&D team consists of about 1,650 research fellows at four R&D centres in Shanghai, Lianyungang and Changzhou, as well as the United States respectively. 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). Furthermore, in December 2021, the Group held a grand opening for its global operation headquarter and R&D center situated in the core area of Zhangjiang Science City in Shanghai, and embarked on a new journey of medical innovation and globalization at full steam.

The Group focuses on R&D of innovative products in the fields such as oncology, anti-infectives, CNS diseases and metabolic diseases as well as autoimmune diseases. At present, we have 36 clinical-stage research projects, including over 25 clinical programs of innovative drug programs that have entered into the clinical development stage. During the Reporting Period, the Group obtained a total of 77 patents granted in China (including 9 granted in Hong Kong, Macau and Taiwan) and 11 patents granted overseas. It has also obtained marketing approval for 11 new products, including 2 innovative drugs (inclusive of new indications): Category 1 innovative drugs Hengmu and Ameile, which are used for the first-line treatment of new indications. The Group filed 8 new applications for marketing, including 2 innovative drugs: Category 1 innovative product Pegmolesatide (formerly known as PEG Sihematide) and Ameile for the first-line treatment of new indication, which has been approved during the Reporting Period. It has newly filed and obtained 15 clinical approvals, including 14 clinical approvals related to innovative drug programs. Details of progress made by the Group in respect of innovative drugs during the Reporting Period were as follows:

Marketing approval for innovative drugs

In June 2021, Hengmu (tenofovir amibufenamide tablets) obtained marketing approval for the treatment of chronic hepatitis B in adult patients.

In December 2021, the new indication of Ameile (aumolertinib mesylate tablets) obtained marketing approval to be used as the first-line treatment of adult patients with locally advanced or metastatic NSCLC whose tumors have epidermal growth factor receptor (EGFR) exon 19 deletions or exon 21 (L858R) mutations.

Application for marketing of innovative drugs

In October 2021, the application for marketing for Pegmolesatide (formerly known as PEG Sihematide) (HS-20039), a self-developed innovative drug of the Group, was accepted by the NMPA. This drug is intended to be used for the treatment of dialysis patients who are receiving erythropoietin treatment due to anemia caused by chronic kidney disease (CKD).

Clinical approvals newly filed and obtained for innovative drugs

In May 2021, HS-10365 capsules, a Category 1 innovative drug self-developed by the Group, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of advanced malignant solid tumor with the specific indications to be determined after the clinical trials.

In July 2021, HS-20094 injections, a Category 1 innovative drug self-developed by the Group, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of type 2 diabetes (T2DM), obesity and hyperlipidemia with the specific indications to be determined after the clinical trials.

In July 2021, HS-10376 tablets, a Category 1 innovative drug self-developed by the Group, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of locally advanced or metastatic NSCLC whose tumors have EGFR 1 and/or EGFR 2 (EGFR and/or HER2) exon 20 insertion mutations, with the specific indications to be determined after the clinical trials.

In September 2021, HS-20089 injections, an innovative drug self-developed by the Group, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of advanced solid tumors with the specific indications to be determined after the clinical trials.

In September 2021, HS-20093 injections, an innovative drug self-developed by the Group, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of advanced solid tumors with the specific indications to be determined after the clinical trials.

In September 2021, HS-10375 tablets, a Category 1 innovative drug self-developed by the Group, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of advanced NSCLC patients with the specific indications to be determined after the clinical trials.

In September 2021, HS-10381 capsules, a Category 1 innovative drug self-developed by the Group, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of advanced solid tumor with the specific indications to be determined after the clinical trials.

In December 2021, Ibrexafungerp tablets has been granted a clinical trial notice issued by the NMPA. The Group will conduct phase 3 clinical trial for vulvovaginal candidiasis (VVC) in China with the specific indications to be determined after the clinical trials.

In December 2021, HS-10383 tablets, a Category 1 innovative drug self-developed the Group, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of refractory or unexplained chronic cough with the specific indications to be determined after the clinical trials.

BD

The Group adheres to the dual engine strategy driven by both in house R&D and external BD collaboration. In addition to making internal R&D investment, the Group also actively sought opportunities in respect of innovative products and early-stage highly differentiated projects with proof of concept, so as to strengthen the product pipeline. In order to enhance innovation capabilities, the Group actively enabled different platform collaboration around the world and established an extensive and competitive R&D pipeline.

During the Reporting Period, the Group introduced 2 clinical-stage assets, including a product with novel mechanism of action, which was recently approved for marketing in the United States and received Phase III clinical trial approval in China. The Group also established various platform collaboration, including two RNA interference-based platform collaborations through which the Group greatly diversified the innovative drug product pipeline and boosted innovation capabilities of the Group. During the Reporting Period, the expenses of BD project (including upfront payment(s) and milestone payment(s)) paid by the Group were approximately RMB374 million in total.

During the Reporting Period, the Group's major collaborations were as follows:

Collaboration with SCYNEXIS

In February 2021, the Group entered into an exclusive license and collaboration agreement with SCYNEXIS, Inc. ("**SCYNEXIS**"), pursuant to which the Group obtained an exclusive license from SCYNEXIS to research, develop and commercialize ibrexafungerp in China (including Hong Kong, Macau and Taiwan).

Ibrexafungerp is the first antifungal class drug in over 20 years with a novel mechanism of action. It obtained the approval for treatment of vaginal yeast infections by the U.S. Food and Drug Administration (FDA) in June 2021. This agent combines the well-established activity of glucan synthase inhibitors with the potential flexibility of having oral and intravenous (IV) formulations. Ibrexafungerp is in late-stage clinical development for multiple indications, including fungal infections caused primarily by Candida (including C. auris) and Aspergillus species in hospitalized patients. It has demonstrated broad-spectrum antifungal activity, in vitro and in vivo experiments, against multidrug-resistant pathogens, including azole - and echinocandin-resistant strains.

Collaboration with Keros

In December 2021, the Group entered into an exclusive license agreement with Keros Therapeutics, Inc. ("**Keros**"), pursuant to which the Group obtained an exclusive license to develop, manufacture and commercialize KER-050 within the territories of Mainland China, Hong Kong and Macau.

KER-050 is an engineered ligand trap comprised of a modified ligand-binding domain of the TGF-ß receptor that is fused to the portion of the human antibody known as the Fc domain. KER-050 is being clinically developed for the treatment of cytopenias, including anemia and thrombocytopenia, in patients with myelodysplastic syndromes, and in patients with myelofibrosis.

Collaboration with Olix Pharmaceuticals

In October 2021, the Group entered into an exclusive license and cooperation agreement with Olix Pharmaceuticals, Inc. ("**Olix**"). The Group and Olix will leverage Olix's GalNAc-asiRNA platform to discover lead compounds and secure development of drug candidates for targets in cardiovascular, metabolic and other diseases associated with the liver. The Group has the exclusive commercial rights of the abovementioned therapeutics in China (including Hong Kong, Macau and Taiwan) and Olix will have the rights in other countries and territories outside China.

Collaboration with Silence Therapeutics

In October 2021, the Group entered into an exclusive license and cooperation agreement with Silence Therapeutics plc ("**Silence Therapeutics**"). The Group and Silence Therapeutics will collaborate to develop siRNA for three targets leveraging Silence Therapeutics' proprietary mRNAi GOLD™ platform. For the first two targets, the Group will have the exclusive option to license rights in China (including Hong Kong, Macau and Taiwan) following the completion of phase 1 studies and Silence Therapeutics will retain exclusive rights in other countries and territories outside China. Silence Therapeutics will be responsible for all activities up to option exercise and will retain responsibility for development outside the abovementioned territory post phase 1 clinical studies for the first two targets. For the third target, the Group will have the exclusive option to license global rights at the point of Investigational New Drug (IND) filing. The Group will be responsible for all development activities post option exercise for the third target.

Co-founded Blossom Biosciences with Cormorant Asset Management

In June 2021, the Group co-founded and incubated Blossom Biosciences with Cormorant Asset Management. Currently, Blossom Biosciences has completed the US$72 million Series A financing jointly led by the Group and Cormorant Asset Management. Blossom Biosciences aims to bring more potentially transformative medicine to patients in China. Blossom Biosciences has entered into an agreement with the Group, pursuant to which the Group shall provide pre-clinical, clinical and commercialization support to Blossom Biosciences to expedite the R&D and launch of its product pipeline in China. Cormorant Asset Management will support Blossom Biosciences by leveraging its extensive global biopharmaceutical resources and portfolio to in-license innovative products to Blossom Biosciences.

Liquidity and Financial Resources

For the year ended December 31, 2021, the Group's operating activities generated a net cash inflow of RMB2,577 million. The capital expenditure during the Reporting Period was RMB1,508 million, mainly relating to the construction and purchase of additional buildings and workshops, as well as the purchase of equipment, motor vehicles and software required for production, R&D and administrative activities. The cash flow of financing activities for the Reporting Period mainly consisted of the net proceeds of RMB3,853 million from the issuance of convertible bonds and the payment for dividends of RMB381 million.

The Group's financial position remains sound. As at December 31, 2021, we had cash and bank balances of RMB14,702 million (as at December 31, 2020: RMB4,285 million), financial assets at fair value through profit or loss of RMB2,357 million (as at December 31, 2020: RMB200 million), other financial assets of RMB1,874 million (as at December 31, 2020: RMB9,233 million). As at December 31, 2021, 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. The Group's 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 of Hong Kong Limited ("**Listing Rules**"). As at December 31, 2021, the Group's gearing ratio (calculated as total liabilities divided by total assets) was approximately 26.3% (as at December 31, 2020: 14.0%).

Most of the Group's assets and liabilities are denominated in Renminbi and United States 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, 2021, none of the Group's assets was subject to any encumbrance, mortgage, lien, charge or pledge.

Contingent Liabilities

As at December 31, 2021, the Group had no material contingent liabilities.

Significant Investments Held

During the Reporting Period, the Group did not have any significant investments.

Future Plans for Material Investments and Capital Assets

As at December 31, 2021, the Group did not have any plans for material investments and capital assets.

Material Acquisitions and Disposals

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

Employees and Emoluments Policy

As at December 31, 2021, the Group had a total of 12,150 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 executive Directors, social welfare and other benefits, were approximately RMB2,370 million for the year ended December 31, 2021. 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.

The Company has conditionally approved and adopted the restricted share unit scheme ("**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 section headed "Statutory and General Information – D. Post-IPO RSU Scheme" in Appendix IV to the prospectus of the Company dated May 31, 2019. As at December 31, 2021, 17,542,000 restricted share units had been granted by the Company pursuant to the RSU Scheme.

Prospects

Rising public awareness of health issues and the more in-depth development of the national medical reform present both challenges and opportunities to the development of pharmaceutical industry. The Group will continue to support and accelerate innovation development to achieve full transformation and upgrade. Adopting the R&D philosophy that defines patients as the core and clinical needs as the orientation, the Group will further strengthen its independent R&D capability, improve R&D efficiency, speed up the launch of innovative products and the application of innovative outcomes and enhance the proportion of revenue contributed by the Group's innovative drug products on a continuous basis. In addition, through BD, it will explore and expand the collaboration with leading global pharmaceutical companies, introduce world-class frontier technology and products, diversify the Group's product pipelines, further optimize the Group's product mix and enhance the Group's capability in continuous innovation. Meanwhile, it will secure stable and efficient production and supply to strictly maintain high product quality. By accumulating experience and enhancing the marketing system, the Group will establish a top-tier business system and workforce, especially the development of marketing system and team for innovative drugs, striving to increase its overall competitiveness and offer more and better innovative products to patients around the world.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the year ended December 31, 2021 RMB'000 (Audited)	2020 RMB'000 (Audited)
REVENUE	5	**9,935,141**	8,690,234
Cost of sales		**(870,042)**	(801,561)
Gross profit		**9,065,099**	7,888,673
Other income	5	**393,188**	220,637
Selling and distribution expenses		**(3,427,818)**	(3,103,018)
Administrative expenses		**(943,423)**	(758,641)
Research and development costs		**(1,797,012)**	(1,252,246)
Other gains, net	5	**62,866**	102,894
Finance costs		**(52,818)**	–
PROFIT BEFORE TAX	6	**3,300,082**	3,098,299
Income tax expense	7	**(587,180)**	(529,392)
PROFIT FOR THE YEAR		**2,712,902**	2,568,907
Attributable to:			
Owners of the parent		**2,712,902**	2,568,907
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic (RMB)		**0.46**	0.44
Diluted (RMB)		**0.44**	0.44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the year ended December 31, 2021 RMB'000 (Audited)	2020 RMB'000 (Audited)
PROFIT FOR THE YEAR		**2,712,902**	2,568,907
OTHER COMPREHENSIVE INCOME			
Exchange differences:			
Exchange differences on translation of foreign operations		**(201,403)**	(978,194)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(201,403)**	(978,194)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(201,403)**	(978,194)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,511,499**	1,590,713
Attributable to:			
Owners of the parent		**2,511,499**	1,590,713

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at December 31, 2021 RMB'000 (Audited)	2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,224,555**	2,039,329
Right-of-use assets		**250,840**	264,489
Intangible assets		**17,037**	9,893
Financial assets at fair value through profit or loss		**394,967**	28,389
Prepayments for purchase of property, plant and equipment		**93,404**	1,163,971
Total non-current assets		**3,980,803**	3,506,071
CURRENT ASSETS			
Inventories		**410,127**	298,727
Trade and bills receivables	*10*	**3,675,990**	3,127,460
Prepayments, other receivables and other assets		**160,207**	142,098
Financial assets at fair value through profit or loss		**2,357,215**	200,000
Other financial assets		**1,873,773**	9,232,734
Cash and bank balances	*11*	**14,702,056**	4,284,970
Total current assets		**23,179,368**	17,285,989
CURRENT LIABILITIES			
Trade and bills payables	*12*	**248,330**	124,382
Other payables and accruals	*13*	**2,609,035**	2,347,033
Contract liabilities		**22,201**	195,688
Lease liabilities		**9,968**	11,039
Tax payable		**134,196**	11,397
Total current liabilities		**3,023,730**	2,689,539
NET CURRENT ASSETS		**20,155,638**	14,596,450
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,136,441**	18,102,521

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	As at December 31, 2021 ***RMB'000*** **(Audited)**	2020 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Convertible bonds		**3,742,996**	–
Lease liabilities		**74,917**	81,710
Deferred tax liabilities		**266,752**	121,810
Other non-current liabilities		**22,931**	23,403
Total non-current liabilities		**4,107,596**	226,923
NET ASSETS		**20,028,845**	17,875,598
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**52**	52
Treasury shares		**(57,969)**	–
Reserves		**20,086,762**	17,875,546
		20,028,845	17,875,598
Non-controlling interests		**–**	–
Total equity		**20,028,845**	17,875,598

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. 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. 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 revised HKFRSs for the first time for the current year's financial statements.

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

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB379,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

4. OPERATING SEGMENT INFORMATION

Information about geographical areas

Since over 90% of the Group's revenue and operating profit were generated from the sale 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 GAINS, NET

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

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of goods – at a point in time	**9,707,761**	8,621,808
Collaboration revenue – at a point in time	**227,380**	68,426
	9,935,141	8,690,234
Other income		
Investment income	**89,758**	71,879
Government grants	**138,053**	55,322
Bank interest income	**164,093**	92,037
Others	**1,284**	1,399
	393,188	220,637
Other gains, net		
Gain/(loss) on disposal of items of property, plant and equipment	**3,935**	(39)
Fair value gains of financial assets at fair value through profit or loss	**144,493**	88,909
Donations	**(64,299)**	(48,804)
Foreign exchange (loss)/gains, net	**(9,307)**	63,370
Impairment of trade receivables, net	**(817)**	309
Impairment of inventories, net	**(347)**	(1,850)
Interest expense of lease liabilities	**–**	(1,645)
Others	**(10,792)**	2,644
	62,866	102,894

6. PROFIT BEFORE TAX

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

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Cost of inventories sold		**590,142**	562,083
Depreciation of property, plant and equipment		**257,165**	216,350
Depreciation of right-of-use assets		**15,046**	11,880
Amortisation of intangible assets		**6,256**	5,044
Impairment of trade receivables, net	*10*	**817**	(309)
Impairment of inventories, net		**347**	1,850
Operating lease expenses		**29,421**	26,020
Auditors' remuneration		**3,820**	3,760
(Gain)/loss on disposal of items of property, plant and equipment		**(3,935)**	39
Investment income		**(89,758)**	(71,879)
Fair value gains of financial assets at fair value through profit or loss		**(144,493)**	(88,909)
Bank interest income		**(164,093)**	(92,037)
Foreign exchange loss/(gains), net		**9,307**	(63,370)
Employee benefit expense			
Wages and salaries		**1,766,702**	1,420,705
Social welfare and other benefits		**538,234**	317,175
Share-based payments		**65,472**	68,590
		2,370,408	1,806,470

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 resident are subject to income tax at the rate of 16.5% (2020: 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"**), the subsidiary of the Company, 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 2020, and was entitled to the preferential tax rate of 15% from 2017 to 2020 and 2020 to 2022.

In 2017, Shanghai Hansen BioMedical Co., Ltd. ("**Shanghai Hansen**"), the subsidiary of the Company, was initially accredited as a HNTE, and thus entitled to a preferential income tax rate of 15% from 2017 to 2019. Shanghai Hansen subsequently renewed its HNTE qualification in 2020, and was entitled to the preferential tax rate of 15% from 2020 to 2022.

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

	2021	2020
	RMB'000	*RMB'000*
Current income tax	**442,238**	692,349
Deferred income tax	**144,942**	(162,957)
Tax charge for the year	**587,180**	529,392

8. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Dividends declared – RMB6.51 cents (2020: Nil) per ordinary share	**380,866**	–

Pursuant to the resolution of the shareholders of the Company dated 3 June 2021, the Company declared a dividend of RMB6.51 cents (2020: Nil) per ordinary share, amounting to a total of approximately RMB380,866,000 (2020: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to holders of the parent of RMB2,712,902,000 (2020: RMB2,568,907,000), and the weighted average number of ordinary shares of 5,921,040,161 (2020: 5,876,243,659) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest and the fair value on the convertible bonds. The weighted average number of ordinary shares used in the calculation of the diluted earnings per share is the weighted average number of ordinary shares in issue of the parent, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the conversion of all dilutive potential shares into ordinary shares.

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

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**2,712,902**	2,568,907
Interest on convertible bonds	**49,554**	–
Less: Fair value gain on the derivative component of the convertible bonds	**108,754**	–
Profit attributable to ordinary equity holders of the parent used in the diluted earnings per share calculation	**2,653,702**	2,568,907

	Adjusted number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**5,921,040,161**	5,876,243,659
Effect of dilution – weighted average number of ordinary shares		
Restricted share units	**3,749,136**	1,835,071
Convertible bonds	**73,068,427**	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**5,997,857,724**	5,878,078,730
Basic earnings per share (RMB per share)	**0.46**	0.44
Diluted earnings per share (RMB per share)	**0.44**	0.44

10. TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**3,248,366**	2,744,236
Impairment	**(1,069)**	(462)
	3,247,297	2,743,774
Bills receivable	**428,693**	383,686
	3,675,990	3,127,460

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:

	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**2,997,328**	2,731,791
91 days to 180 days	**217,159**	11,213
Over 180 days	**32,810**	770
	3,247,297	2,743,774

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

	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**394,604**	297,847
91 days to 180 days	**34,089**	85,839
Over 180 days	**–**	–
	428,693	383,686

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime credit 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:

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**462**	1,011
Impairment, net *(note 6)*	**817**	(309)
Amount written-off as uncollectible	**(210)**	(240)
At end of year	**1,069**	462

11. CASH AND BANK BALANCES

	2021	2020
	RMB'000	*RMB'000*
Cash and bank balances, unrestricted	**2,503,263**	1,514,473
Time deposits with original maturity of less than three months when acquired	**4,215,446**	1,548,843
Time deposits with original maturity of over three months when acquired *(note (a))*	**7,983,347**	1,221,654
Cash and bank balances	**14,702,056**	4,284,970

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 0.55% to 4.13%. None of these investments are either past due or impaired. None of these deposits are pledged.

12. TRADE AND BILLS PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**116,103**	67,520
Bills payable	**132,227**	56,862
	248,330	124,382

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:

	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**247,069**	122,932
91 days to 180 days	**193**	594
181 days to 1 year	**12**	98
Over 1 year	**1,056**	758
	248,330	124,382

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

13. OTHER PAYABLES AND ACCRUALS

	2021	2020
	RMB'000	*RMB'000*
Accrued expenses	**1,725,012**	1,437,440
Staff payroll, welfare and bonus payables	**362,688**	331,266
Payables for purchase of items of property, plant and equipment	**102,800**	92,023
Other tax payables	**112,861**	108,406
Other payables	**305,674**	377,898
	2,609,035	2,347,033

14. SHARE CAPITAL

	2021	2020
	RMB	*RMB*
Issued and fully paid:		
5,922,350,070 shares of HK$0.00001 each (31 December 2020: 5,918,991,200 shares of HK$0.00001 each)	**52,169**	52,140

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

	Number of shares in issue	**Share capital** *RMB*
At 1 January 2021	5,918,991,200	52,140
Issue of new shares – issue of shares of HK$0.00001 each *(Note (a))*	3,358,870	29
At 31 December 2021	5,922,350,070	52,169

Note:

(a) 3,358,870 shares of the Company have been successfully issued on 19 April 2021 at the price of HK$5.36 per share, representing a discount of approximately 85.03% to the closing market price of the Company's ordinary shares on the business day immediately before the completion date. The net proceeds from the issuance amounted to HK$18,004,000 (equivalent to approximately RMB15,111,000).

EVENTS AFTER THE REPORTING PERIOD

There is no material events affecting the Company during the period from December 31, 2021 to the date of this announcement.

As at the date of this announcement, the number of COVID-19 cases (including COVID-19 Delta and Omicron variants) in several cities in China continued to increase. The Group adopted strict disease prevention plans and measures to ensure the orderly and smooth production and operation activities of the Group, including, among other things, requiring employees to wear masks during working hours, daily disinfection of the workplace and strengthening ventilation, conducting temperature check and registration before employees entering the work place, and when there is an outbreak of COVID-19 pandemic, to arrange employees to work from home according to the pandemic control requirements. As such, we expect that the COVID-19 pandemic will not have a material impact on the Group's business operation and financial condition. The Company will continuously monitor the development of the COVID-19 pandemic, take appropriate measures when necessary, and assess relevant impact on the overall operations result 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 Board is of the view that the Company has complied with all the code provisions in effect during 2021 as set out in the CG Code during the Reporting Period, save for code provision A.2.1 of the CG Code (which has been renumbered as code provision C.2.1 since January 1, 2022).

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.

On January 1, 2022, the amendments to the Corporate Governance Code (the "**New CG Code**") came into effect and the requirements under the New CG code will apply to corporate governance reports for financial year commencing on or after January 1, 2022. In observance of the requirement in the New CG Code, the Company has also established the nomination committee in December 2021 to identify, consider and recommend to the Board appropriate candidates to serve as Directors, to oversee the process for evaluating the performance of the Board, and to develop and recommend to the Board nomination guidelines. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the New 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. Specific enquiry has been made to all Directors by the Company and all of them confirmed that they have complied with the Company Code during the Reporting Period.

REVIEW OF ANNUAL RESULTS BY THE 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 (which has been renumbered as code provision D.3 since January 1, 2022). The Audit Committee consists of three independent non-executive Directors, namely Mr. Chan Charles Sheung Wai (chairman of the Audit Committee), Mr. Lin Guoqiang and Ms. Yang Dongtao.

The Audit Committee and the external auditor have reviewed the audited results of the Group for the year ended December 31, 2021. 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

During the year ended December 31, 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Board recommends a final dividend of RMB7.32 cents (equivalent to HK$9.00 cents) per share for the year ended December 31, 2021 (2020: RMB6.51 cents). Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company ("**AGM**"), the proposed final dividend will be payable on Tuesday, July 5, 2022 to shareholders whose names appear on the register of members of the Company on Friday, June 10, 2022.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the shareholders' entitlements to the proposed final dividend (subject to the approval by the shareholders at the AGM), the register of members of the Company will be closed from Wednesday, June 8, 2022 to Friday, June 10, 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, June 7, 2022.

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 HK$8,798 million. The proposed use of the net proceeds was disclosed in the Company's prospectus dated May 31, 2019. As of December 31, 2021, the net proceeds utilized were approximately HK$8,513 million and the remaining net proceeds were approximately HK$285 million. The Company intends to continue to utilize the remaining net proceeds in the future for the purposes as set out in the prospectus. As of December 31, 2021, the net proceeds utilized by the Group were as follows:

Purpose	Percentage of the total amount	Net proceeds received (HK$100 million)	Utilized from the Listing Date to December 31, 2021 (HK$100 million)	Unutilized as at December 31, 2021 (HK$100 million)	Expected time frame
R&D programs, expanding our R&D team and investment in technologies	45%	39.59	36.74	2.85	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	21.99	0	Not applicable
Enhancement of sales and academic promotion	20%	17.60	17.60	0	Not applicable
Working capital and other general purposes	10%	8.80	8.80	0	Not applicable
Total	100%	87.98	85.13	2.85	

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

USE OF PROCEEDS FROM PLACING

On April 22, 2020, the Company entered into a placing agreement with Morgan Stanley & Co. International plc and Citigroup Global Markets Limited (the "**Placing Agents**"), pursuant to which the Placing Agents agreed to place 130,380,000 ordinary shares in the Company, or, failing which, to purchase themselves on a fully underwritten basis to not fewer than six placees who are professional, institutional or other investors selected and procured by the Placing Agents and whose ultimate beneficial owners are independent third parties (the "**Placing**"). The Placing price was HK$26.75 per share.

The net proceeds from the Placing were approximately HK$3,477.20 million, which have been and will be used on R&D, including but not limited to our existing and future domestic and overseas drug development programs, expanding our R&D team, and investment in technologies to further enhance our R&D capabilities and enrich our product pipeline, as disclosed in the announcement of the Company dated April 22, 2020. HK$215.89 million was utilized as at December 31, 2021 and HK$3,261.31 million remains unutilized. The balance is expected to be fully utilized by 2030.

USE OF PROCEED FROM ISSUANCE OF CONVERTIBLE BONDS

In January 2021, the Company successfully completed the issuance and listing of US$600 million zero-coupon convertible bonds due in 2026 to the professional investors only. The net proceeds from the bonds were approximately US$595.65 million, which have been and will be used on R&D expenditure, upgrading and expanding existing manufacturing facilities (including R&D facilities) and procuring equipment for its production facilities and for general corporate purposes, as disclosed in the announcement of the Company dated January 8, 2021. US$152.03 million was utilized as at December 31, 2021 and US$443.62 million remains unutilized. The balance is expected to be fully utilized by 2030.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (**www.hkexnews.hk**) and the Company (**www.hspharm.com**). The annual report for the year ended December 31, 2021 of the Company and the notice of the AGM setting out, among others, proposed date of the AGM, the period of closure of register of members and the record date for determining the entitlement of the attendance of the AGM 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 29, 2022

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

* *For identification purposes only*