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, 2022

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, 2022 (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, 2022, the Group recorded the following audited results:

- Revenue was approximately RMB9,382 million, representing a decrease of approximately 5.6% compared with the year ended December 31, 2021;
- Sales revenue of innovative drugs amounted to approximately RMB5,006 million, representing an increase of approximately 19.1% as compared with the year ended December 31, 2021, and the proportion of the revenue increased from 42.3% for the year ended December 31, 2021 to 53.4% for the year ended December 31, 2022;
- R&D expenditure was approximately RMB1,693 million, and accounted for approximately 18.0% of the revenue;
- Profit was approximately RMB2,584 million, representing a decrease of approximately 4.8% compared with the year ended December 31, 2021;
- Earnings per share was approximately RMB0.44, representing a decrease of approximately 4.7% compared with the year ended December 31, 2021.

The Board recommends a final dividend of HK$5 cents per share for the year ended December 31, 2022, 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 (the "**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 anti-tumor, anti-infectives, central nervous system ("**CNS**") diseases 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, and developed a series of innovative drugs which are currently under different stages of R&D. The Group obtained marketing approvals in China for 5 Category 1 innovative drugs and 1 imported innovative drug, 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 approvals for a total of 11 products, including 1 imported innovative drug. The Company has newly obtained clinical approvals for 19 products, all of which were related to innovative drugs; and filed 6 applications for marketing approvals, including 1 innovative drug (inclusive of new indications), being Category 1 innovative drug, Pegmolesatide (formerly known as PEG Sihematide), for the treatment of anemia in non-dialysis chronic kidney disease patients who have not received erythropoietin therapy.

The Group has successfully transformed itself into an innovative biopharma company that focuses on developing and selling innovative drugs and will continue to enhance its discovery capabilities, development capabilities, commercial capabilities to better address the unmet medical needs of patients in China and around the world. We are actively exploring collaborations with external partners and leveraging cutting-edge technologies, both internally and externally, to enrich our product lines and portfolio of innovative therapeutics.

As the 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 RMB5,006 million, representing a year-on-year increase of approximately 19.1%, and the proportion of the total revenue of the Group increased from 42.3% for the corresponding period of the previous year to 53.4%.

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

In January 2022, HS-10382 tablets, a Category 1 innovative drug self-developed by the Group, has been granted a clinical trial notice issued by the National Medical Products Administration of the People's Republic of China ("**NMPA**"), and is intended to be used for the treatment of chronic myelogenous leukemia ("**CML**") with the specific indications to be determined after the clinical trials.

In February 2022, HS-10370 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 advanced solid tumor with the specific indications to be determined after the clinical trials.

In March 2022, HS-10380 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 schizophrenia, with the specific indications to be determined after the clinical trials.

In March 2022, the Group's innovative drug, XINYUE (Inebilizumab Injections), has been granted drug registration approval issued by the NMPA.

In April 2022, the Company presented data from the Phase I climbing trial of its self-developed Class 1 innovative PI3Kα inhibitor HS-10352-101 single agent at the 113th Annual Meeting of the American Association for Cancer Research ("**AACR**") in 2022. HS-10352 showed favorable results in HR+HER2-advanced breast cancer subjects with no standard treatment regimen or no access to or tolerance for standard therapy as well as favorable safety, tolerability and pharmacokinetic ("**PK**") profiles. Preliminary antitumor activity was observed, and it showed better antitumor activity in the population carrying the PIK3CA mutation, which is expected to provide clinical benefits to patients with HR+HER2-PIK3CAm+ advanced breast cancer.

In April 2022, HS-10386 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 solid tumors, with the specific indications to be determined after the clinical trials.

In April 2022, HS-10384 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 menopausal vasomotor syndrome, with the specific indications to be determined after the clinical trials.

In May 2022, the Group entered into an exclusive license agreement (the "**NiKang Therapeutics Licensing Agreement**") with NiKang Therapeutics Inc. ("**NiKang Therapeutics**"). Pursuant to the NiKang Therapeutics Licensing Agreement, the Group obtained an exclusive license from NiKang Therapeutics to develop and commercialize NKT2152 within China (including Hong Kong, Macau and Taiwan).

In June 2022, the United Kingdom (U.K.)'s Medicines and Healthcare products Regulatory Agency ("**MHRA**") has accepted for review our partner EQRx, INC. ("**EQRx**")'s marketing authorization application ("**MAA**") for aumolertinib, a novel, third-generation epidermal growth factor receptor-tyrosine kinase inhibitor ("**EGFR-TKI**") being developed and commercialized under the License Agreement, marketed as AMEILE® in China, for the first-line treatment of adult patients with locally advanced or metastatic non-small cell lung cancer ("**NSCLC**") with sensitizing EGFR mutations and for the treatment of adult patients with locally advanced or metastatic EGFR T790M mutation-positive NSCLC. This is the first MAA of aumolertinib filed outside of the PRC.

In July 2022, Palbociclib Capsules developed by the Group has been granted drug registration certificate issued by the NMPA. It is an anti-tumor drug indicated for the treatment of patients with hormone receptor (HR)-positive, human epidermal growth factor receptor 2 (HER2)-negative locally advanced or metastatic breast cancer in combination with an aromatase inhibitor as initial endocrine-based therapy in postmenopausal women. The obtaining of drug registration approval of the Product will further enrich and improve the Group's product portfolio.

In August 2022, the Group entered into an exclusive license agreement (the "**TiumBio Licensing Agreement**") with TiumBio Co., Ltd. ("**TiumBio**"). Pursuant to the TiumBio Licensing Agreement, the Group obtained an exclusive license from TiumBio to develop and commercialize TU2670 for the treatment of endometriosis, uterine fibroids and other indications within China (including Hong Kong, Macau and Taiwan).

In August 2022, the Company made a voluntary announcement regarding the signing of an exclusive licensing and co-development agreement (the "**GHDDI Licensing Agreement**") with Beijing Huayi Health Drug Discovery Institute* (北京華益健康藥物研究中心) (also known as the Global Health Drug Discovery Institute (abbreviated as "**GHDDI**")). Pursuant to the GHDDI Licensing Agreement, the Group was granted exclusive worldwide rights to develop, manufacture and commercialize the new drug candidate GDI-4405 series of anti-novel coronavirus ("**SARS-CoV-2**").

In September 2022, the Group entered into an exclusive license agreement (the "**KiOmed Licensing Agreement**") with KiOmed Pharma SA ("**KiOmed**"). Pursuant to the KiOmed Licensing Agreement, the Group obtained an exclusive license from KiOmed to develop and commercialize KiOmedine^{vs}One for the treatment of osteoarthritis within China's mainland, Macau and Taiwan.

In November 2022, the Group entered into a license agreement (the "**Biotheus Licensing Agreement**") with Biotheus Inc.* ("**Biotheus**"). Pursuant to the Biotheus Licensing Agreement, the Group obtained an exclusive license from Biotheus to develop, manufacture and commercialize PM1080, an EGFR/cMet bispecific anti-body drug within China (including Hong Kong, Macau and Taiwan).

In December 2022, European Medicines Agency ("**EMA**") has accepted for review our partner EQRx's MAA for aumolertinib for the first-line treatment of adult patients with locally advanced or metastatic NSCLC with sensitizing EGFR mutations and for the treatment of adult patients with locally advanced or metastatic EGFR T790M mutation-positive NSCLC. This is the second MAA of aumolertinib filed outside of the PRC.

In December 2022, HS-10502 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 solid tumor, with the specific indications to be determined after the clinical trials.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

The 14th Five-Year Plan for the Development of the Pharmaceutical Industry released in January 2022 further clarifies that innovation-driven and high-quality development is an important development direction for the industry. With the accelerated accreditation of innovative drugs and the consistent evaluation of generic drugs, the overall development trend of the industry will be favourable to pharmaceutical companies with cutting-edge research and development capabilities, rich pipeline layouts and a sound commercialisation ecology. It is foreseeable that the market will further explore and recognise the tremendous value of pharmaceutical companies that are diligent and dedicated to innovation and focus on solving unmet clinical needs.

In 2022, as the reform of China's medical and health system deepens, the country will continue to promote the reform of drug prices, strengthen the centralized procurement and use management of drugs, and accelerate the establishment of a sound guarantee mechanism for innovative drugs and high-value medical consumables, while encouraging the research and development, production, and use of innovative drugs and high-value medical consumables. This will continue to benefit the continued steady development of the Group's innovative pharmaceuticals business and support the Group's innovative transformation into the next stage.

Business Highlights

In 2022, the Omicron variant spread rapidly and triggered the spread of a new round of the COVID-19 pandemic outbreak in many areas of China, especially in first-tier cities. In order to control the outbreak, local governments in various places implemented stringent preventive and control measures, and the rapid changes in the new round of the outbreak affected the Group's main business. The management responded proactively and did its best to minimise the negative impact of the epidemic on the business.

During the Reporting Period, the Group's sales revenue of innovative drugs amounted to approximately RMB5,006 million, representing a year-on-year increase of approximately 19.1%, and the proportion of innovative drug sales revenue increased to 53.4% from 42.3% 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 independent innovation capability and R&D efficiency. As of the end of the Reporting Period, a total of 6 innovative drugs were approved for marketing and all of them were included in the NRDL, among which, the approval for the innovative drug Inebilizumab Injections (trade name: XINYUE 昕越®) for the treatment of adult patients with neuromyelitis optica spectrum disorders ("**NMOSD**") who are AQP4-IgG+. was obtained during the Reporting Period. As of the end of the Reporting Period, the Group had 1,521 R&D staff and a total of over 30 innovative drug projects in various clinical stages. Meanwhile, the Group paid close attention to frontier technology in the global pharmaceutical industry. With respect to business development ("**BD**"), it further enhanced the Group's innovation capabilities and innovative product pipeline layout through in-licensing and joint development. During the Reporting Period, 3 clinical-stage products were licensed in.

For the year ended December 31, 2022, the Group recorded revenue of approximately RMB9,382 million during the Reporting Period, representing a decrease of approximately 5.6% compared with the corresponding period of the previous year; profit of approximately RMB2,584 million, representing a decrease of approximately 4.8% compared with the corresponding period of the previous year; and earnings per share of approximately RMB0.44, representing a decrease of approximately 4.7% 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 concentrated in the major therapeutic areas on which the Group strategically focuses, including anti-tumor, anti-infectives, CNS diseases, metabolic diseases and other main therapeutic areas. Sales revenue of innovative drugs amounted to approximately RMB5,006 million, representing an increase of approximately 19.1% as compared with the year ended December 31, 2021, and the proportion of the revenue increased from 42.3% for the year ended December 31, 2021 to 53.4% for the year ended December 31, 2022.

In respect of the anti-tumor area, we primarily focus on the treatment of solid tumors with high incidence such as lung cancer, as well as hematological cancer. Our anti-tumor 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), Xinwei (imatinib mesylate tablets), and Tanneng (fosaprepitant dimeglumine for injection). During the Reporting Period, revenue from our anti-tumor drug portfolio amounted to approximately RMB5,522 million, accounting for approximately 58.9% of the total revenue of the Group.

Our CNS disease product portfolio mainly consists of, among others, Ameining (agomelatine tablets), Oulanning (olanzapine oral dose formulations) and Ailanning (paliperidone extended-release tablets). During the Reporting Period, revenue from our CNS disease drug portfolio amounted to approximately RMB1,494 million, accounting for approximately 15.9% of the total revenue of the Group.

Our anti-infective product portfolio mainly consists of, among others, Hengmu (tenofovir amibufenamide tablets), an innovative drug, Mailingda (morinidazole sodium chloride injection), an innovative drug and Zetan (tigecycline for injection). The Company mainly focuses on treatment products for the drug-resistant bacteria area as the clinical needs of the area are increasing. Meanwhile, the Company adopts rational drug use as the guiding direction for academic activities related to 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 RMB1,249 million, accounting for approximately 13.3% of the total revenue of the Group.

Product portfolio for metabolic diseases and other areas mainly consists of, among others, Fulaimei (PEG-loxenatide for injection), an innovative drug, Ruibote (rabeprazole sodium enteric-coated tablets), Fulaidi (repaglinide tablets), Puruian (ambrisentan tablets) and Fulairui (canagliflozin tablets). During the Reporting Period, revenue from the drug portfolio in relation to the abovementioned areas amounted to approximately RMB1,117 million, accounting for approximately 11.9% of the total revenue of the Group.

Innovative Drug Products

During the Reporting Period, the Group invested a total of RMB1,693 million in research and development: accounting for approximately 18.0% of the Group's total revenue; the sales revenue of innovative drugs amounted to approximately RMB5,006 million, representing a year-on-year increase of approximately 19.1%, and accounted for approximately 53.4% of the Group's total revenue. The sales revenue of innovative drugs includes the revenues of 5 innovative drug products, namely Ameile, Hansoh Xinfu, Hengmu, Mailingda and Fulaimei.

The Group has made tremendous progress by stage in the innovative drug pipeline: (i) Two approved indications for Ameile are included in the NRDL: one of the approved indications for first-line treatment has been added to the NRDL for the first time. (ii) Hansoh Xinfu and Fulaimei successfully renewed the agreement with the NHSA and remained in the NRDL. (iii) In June 2021, Hengmu was approved for marketing and included in the NRDL in the same year, effective from January 2022, and hence, its timeline from approval for marketing to inclusion in the NRDL was shortest in the Group. (iv) In March 2022, Inebilizumab Injections (trade name: XINYUE 昕越®) was approved for marketing and included in the NRDL.

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 and has been included in the NRDL (2022 version) after negotiations. 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, and was successfully renewed in the NRDL (2022 version).

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. Updates from the ASCO meeting in June 2022, showed that the median progression-free survival (CNS PFS) for first-line treatment of NSCLC with CNS metastasis reached 29.0 months.

In June 2022, MHRA has accepted for review our partner EQRx's MAA for aumolertinib for the first-line treatment of adult patients with locally advanced or metastatic NSCLC with sensitizing EGFR mutations and for the treatment of adult patients with locally advanced or metastatic EGFR T790M mutation-positive NSCLC. This is the first MAA of aumolertinib filed outside of the PRC.

In December 2022, EMA has accepted for review our partner EQRx's MAA for aumolertinib for the first-line treatment of adult patients with locally advanced or metastatic NSCLC with sensitizing EGFR mutations and for the treatment of adult patients with locally advanced or metastatic EGFR T790M mutation-positive NSCLC. This is the second MAA of aumolertinib filed outside of the PRC.

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 2022* (《2022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 listed as Class I in the recommendation for first-line indications and second-line indications.

Hansoh Xinfu

Hansoh Xinfu (flumatinib mesylate tablets) is the second-generation Bcr-Abl TKI. Hansoh Xinfu was first included in the NRDL in 2020 and was successfully renewed in the NRDL (2022 version). Hansoh Xinfu is used for the treatment of chronic myelogenous leukemia. Based on the results of existing clinical trials, its efficacy is superior to that of imatinib. Further, no pleural effusion or cardiotoxicity incurred in the use of other second-generation Bcr-Abl TKI has been observed 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 the agreement with the NHSA was renewed 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 first included in the NRDL in 2020 and was successfully renewed in the NRDL (2022 version). 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 negotiations. 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. Hengmu has been included in the CSCO Guidelines for Diagnosis and Treatment of Liver Cancer (2022 Edition)* (《CSCO肝癌診療指南(2022年版)》) as a Class I recommendation and included in the Prevention and Therapy Guidelines for Chronic Hepatitis B (2022 Edition)* (《慢性乙型肝炎防治指南(2022年版)》) published by the Chinese Diabetes Society (CDS) as a preferred drug recommendation.

XINYUE

XINYUE (Inebilizumab Injections) is a targeted CD19 B-cell depleting antibody for adult patients with AQP4-IgG+ NMOSD developed by Viela Bio, Inc. ("**Viela Bio**", which was acquired by Horizon Therapeutics plc on March 15, 2021). It was approved for marketing by the U.S. Food and Drug Administration (FDA), the Japanese Ministry of Health, Labour and Welfare and the European Commission in June 2020, March 2021 and April 2022, respectively. On May 24, 2019, the Group obtained an exclusive license from Viela Bio to develop and commercialize the Product in designated territory (i.e. Mainland China, Hong Kong and Macau) for NMOSD as well as other designated potential indications. In March 2022, Inebilizumab Injections (trade name: XINYUE 昕越®) was approved for marketing and included in the NRDL (2022 version). XINYUE has been included in the Chinese Guidelines for the Diagnosis and Treatment of Optic Neuromyelitis Optica Spectrum Disorders (2021 Edition)* (《中國視神經脊髓炎譜系疾病診斷與治療指南(2021年版)》) with a Class A recommendation.

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 1,521 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).

The Group focuses on R&D of innovative products in the fields such as anti-tumor, anti-infectives, CNS diseases and metabolic diseases as well as autoimmune diseases. During the reporting period, we had more than 40 clinical trials of innovative programs in progress, with over 30 innovative medicines projects at various stages of clinical development. During the Reporting Period, there were 6 new clinical-stage programs and 3 clinical-stage BD programs. During the Reporting Period, the Group obtained a total of 82 patents in China (including 18 in Hong Kong, Macau and Taiwan) and 10 patents overseas. It has also obtained marketing approval for 11 new products, including 1 innovative drug: Inebilizumab Injections (trade name: XINYUE 昕越®), which are used for the treatment of adult patients with NMOSD who are AQP4-IgG+. The Group filed 6 new applications for marketing, including 1 innovative drug (with new indications): Category 1 innovative product Pegmolesatide (formerly known as PEG Sihematide) for the treatment of anemia in non-dialysis chronic kidney disease patients who have not received erythropoietin therapy. The Group has newly obtained 19 clinical approvals.

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 March 2022, Inebilizumab injection (trade name: XINYUE®), jointly developed and commercialized by the Group and Viela Bio in China, obtained marketing approval for the treatment of adult patients with NMOSD who are AQP4-IgG+.

Application for marketing of innovative drugs

In May 2022, the application for marketing for the new indication of Pegmolesatide (formerly known as PEG Sihematide) self-developed by the Group was accepted by the NMPA. This new indication is intended to be used for the treatment of anemia in non-dialysis chronic kidney disease patients who have not received erythropoietin therapy.

Clinical approvals obtained for innovative drugs

In January 2022, HS-10382 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 chronic myelogenous leukemia (CML) with the specific indications to be determined after the clinical trials.

In February 2022, HS-10370 injections, a Category 1 innovative drug self-developed by the Group, as 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 March 2022, HS-10380 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 schizophrenia, with the specific indications to be determined after the clinical trials.

In April 2022, HS-10386 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 solid tumors, with the specific indications to be determined after the clinical trials.

In April 2022, HS-10384 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 menopausal vasomotor syndrome, with the specific indications to be determined after the clinical trials.

In December 2022, HS-10502 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 solid tumor, 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 expenses of BD project (including upfront payment(s) and milestone payment(s)) incurred were approximately RMB292 million in total.

Milestone achieved with Viela Bio

In March 2022, "Inebilizumab Injections" (trade name: XINYUE 昕越®) was granted drug registration approval issued by the NMPA for the treatment of adult patients with NMOSD who are AQP4-IgG+. Obtaining the drug registration approval for this product will further enrich and improve the Group's product portfolio.

On May 24, 2019, the Group obtained an exclusive license from Viela Bio to develop and commercialize this product in the contracted territory (i.e. Mainland China, Hong Kong and Macau) for NMOSD as well as other contracted potential indications.

Collaboration with NiKang Therapeutics

In May 2022, the Group entered into an exclusive license agreement with NiKang Therapeutics. Pursuant to the licensing agreement, the Group obtained an exclusive license from NiKang Therapeutics to develop and commercialize NKT2152 within China (including Hong Kong, Macau and Taiwan).

NKT2152 is a small molecule that inhibits HIF-2α. It is currently in a phase 1/2 dose escalation and expansion trial (NCT05119335). This trial is designed to evaluate safety, tolerability, pharmacokinetics, pharmacodynamics and clinical activity in patients with advanced Clear Cell Renal Cell Carcinoma (ccRCC).

Milestone achieved with EQRx

In June 2022, the MHRA has accepted for review our partner EQRx's MAA for aumolertinib, a novel, third-generation epidermal growth factor receptor-tyrosine kinase inhibitor ("**EGFR-TKI**") being developed and commercialized under the license agreement entered into between the Group and EQRx, for the first-line treatment of metastatic T790M mutation positive NSCLC locally advanced or metastatic T790M mutation-positive NSCLC, which have progressed on or after EGFR-TKI therapy. This is the first MAA of aumolertinib filed outside of the People's Republic of China.

In December 2022, the EMA has accepted for review our partner EQRx's MAA for aumolertinib (marketed as AMEILE® in China, aumolertinib mesilate) in EGFR-mutated NSCLC.

Collaboration with TiumBio

In August 2022, the Group entered into an exclusive license agreement with TiumBio. Pursuant to the licensing agreement, the Group obtained an exclusive license from TiumBio to develop and commercialize TU2670 for the treatment of endometriosis, uterine fibroids and other indications within China (including Hong Kong, Macau and Taiwan).

TU2670 is an orally active non-peptide GnRH antagonist. Early phase clinical trials have demonstrated excellent safety and tolerability of TU2670.

Collaboration with GHDDI

In August 2022, the Company made a voluntary announcement regarding the signing of an exclusive licensing and co-development agreement with GHDDI. Pursuant to the licensing agreement, the Group was granted exclusive worldwide rights to develop, manufacture and commercialize the new drug candidate GDI-4405 series of anti-novel coronavirus (SARSCoV-2).

The new drug candidate GDI-4405 series is an oral small molecule SARS-CoV-2 3CL (3C-like) protease inhibitor. The Candidate exhibits high potent antiviral activity on SARS-CoV-2 delta and omicron variants.

Collaboration with KiOmed

In September 2022, the Group entered into an exclusive license agreement with KiOmed. Pursuant to the licensing agreement, the Group obtained an exclusive license from KiOmed to develop and commercialize KiOmedine^{vs}One for the treatment of osteoarthritis within China (including Macau and Taiwan).

KiOmedine^{vs}One is a new generation single injection for the treatment of knee osteoarthritis based on world-first exclusive animal free KiOmedine® CM-Chitosan. KiOmedine^{vs}One has been granted the CE mark and launched in Europe in 2021.

Collaboration with Biotheus

In November 2022, the Group entered into a license agreement with Biotheus. Pursuant to the licensing agreement, the Group obtained an exclusive license from Biotheus to develop and commercialize PM1080 within China (including Hong Kong, Macau and Taiwan).

PM1080 is an EGFR/cMet bispecific anti-body drug with great therapeutic potential to block both EGFR and c-Met signaling, inhibit tumor growth and survival, etc. PM1080 is in pre-clinical stage currently.

Environmental, Social and Governance (ESG)

In line with our core values of "Responsibility, Integrity, Commitment and Innovation", the Group continues to focus on enhancing access to innovative drugs in areas of critical clinical need. We have set corporate governance, corporate behaviour, product quality and safety, healthcare for all, human resources development, environmental protection and community progress as the focus of our ESG strategy, and are moving towards higher levels of ESG management, with a view to making a positive impact on the environment, employees, suppliers, investors, customers and patients, the Company itself and society as a whole.

During the Reporting Period, the Group scored 63 points on the S&P Global Corporate Sustainability Assessment (CSA), exceeding 95% of its peer companies worldwide. The Group was selected for the 2023 Sustainability Yearbook and was the only pharmaceutical company in the Chinese Mainland to be selected. In addition to maintaining the MSCI ESG A rating, we were also awarded the Bloomberg Business Week/Chinese Edition 2022 ESG Leading Enterprise Award, the Ministry of Industry and Information Technology 2022 China Pharmaceutical Enterprise Social Responsibility Outstanding Project, 2022 China Pharmaceutical Listed Company ESG Competitiveness Top 5, HRoot "2022 Greater China Employer Excellence", Jiangsu Province 2022 Green Development Leading Enterprise. The Group has received authoritative recognition in various aspects such as comprehensive strength, environmental protection, talent development, innovation and research and development.

In the past year, relying on our solid and efficient sustainable development governance system, we actively responded to changes in industry policies and the social environment, and fully deployed resources to enhance our environmental, social and governance performance. At the same time, we responded to the concerns and expectations of our stakeholders and the community, accelerated our efforts to promote "responsible innovation" and fulfil our corporate citizenship responsibilities.

Liquidity and Financial Resources

For the year ended December 31, 2022, the Group's operating activities generated a net cash inflow of RMB2,741 million. The capital expenditure during the Reporting Period was RMB319 million, mainly relating to the construction workshops, as well as the purchase of equipment, motor vehicles, software and patents required for production, R&D and administrative activities. The cash flow of financing activities for the Reporting Period mainly consisted of the payment for dividends of RMB712 million.

The Group's financial position remains sound. As at December 31, 2022, we had cash and bank deposits of RMB17,615 million (as at December 31, 2021: RMB14,702 million), financial assets at fair value through profit or loss of RMB2,544 million (as at December 31, 2021: RMB2,357 million), other financial assets of RMB1,464 million (as at December 31, 2021: RMB1,874 million). As at December 31, 2022, our financial assets at fair value through profit or loss and other financial assets primarily comprise 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, 2022, the Group's gearing ratio (calculated as total liabilities divided by total assets) was approximately 24.5% (as at December 31, 2021: 26.3%).

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, 2022, none of the Group's assets was subject to any encumbrance, mortgage, lien, charge or pledge.

Contingent Liabilities

As at December 31, 2022, 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, 2022, 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, 2022, the Group had a total of 10,523 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 RMB2,596 million for the year ended December 31, 2022. 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 Good Manufacturing Practice (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 the 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. For the year ended December 31, 2022, 36,786,600 restricted share units had been granted by the Company pursuant to the RSU Scheme.

Prospects

As China adopts more flexible and effective epidemic prevention policies and measures, and boosts its innovation, digitalization, and quality investment and improvement efforts, the country's pharmaceutical market and healthcare industry are expected to recover and grow rapidly in 2023 and beyond. We have witnessed the gradual recovery and release of the suppressed medical demand at the hospital end, which has facilitated our operation and academic activities to return to the right track. Accordingly, we will increase our investment in R&D activities. The Group has successfully transformed itself into an innovative biopharma company that focuses on developing and selling innovative drugs and will continue to enhance its existing strong discovery capabilities, development capabilities, commercial capabilities to better address the unmet medical needs of patients in China and around the world. We are also committed to expanding our product pipeline and product portfolio of innovative drugs by collaborating with external partners and leveraging both in-house and external cutting-edge technologies especially the antibody drug conjugation, RNAi, bispecific antibody etc. We believe that combining in-house R&D with external collaboration can enable faster and more efficient discovery and development of innovative drug candidates across multiple therapeutic areas. Moreover, we will also continue to improve our operational efficiency and organization agility, actively take up social responsibilities and strive to enhance our reputation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the year ended December 31, 2022 RMB'000 (Audited)	2021 RMB'000 (Audited)
REVENUE	*5*	**9,382,410**	9,935,141
Cost of sales		**(867,010)**	(870,042)
Gross profit		**8,515,400**	9,065,099
Other income	*5*	**448,687**	393,188
Selling and distribution expenses		**(3,550,230)**	(3,427,818)
Administrative expenses		**(597,460)**	(943,423)
Research and development costs		**(1,693,314)**	(1,797,012)
Other (expenses)/gains, net	*5*	**(116,513)**	62,866
Finance costs		**(58,142)**	(52,818)
PROFIT BEFORE TAX	*6*	**2,948,428**	3,300,082
Income tax expense	*7*	**(364,681)**	(587,180)
PROFIT FOR THE YEAR		**2,583,747**	2,712,902
Attributable to:			
Owners of the parent		**2,583,747**	2,712,902
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic (RMB)		**0.44**	0.46
Diluted (RMB)		**0.44**	0.44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
	(Audited)	(Audited)
PROFIT FOR THE YEAR	**2,583,747**	2,712,902
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**632,886**	(201,403)
Net other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods	**632,886**	(201,403)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	**632,886**	(201,403)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,216,633**	2,511,499
Attributable to:		
Owners of the parent	**3,216,633**	2,511,499

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at December 31 2022 ***RMB'000*** **(Audited)**	2021 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,195,646**	3,224,555
Right-of-use assets		**254,247**	250,840
Intangible assets		**33,422**	17,037
Investments in associates		**241,071**	–
Financial assets at fair value through profit or loss		**412,579**	394,967
Prepayments for purchase of property, plant and equipment		**33,294**	93,404
Total non-current assets		**4,170,259**	3,980,803
CURRENT ASSETS			
Inventories		**447,890**	410,127
Trade and bills receivables	*10*	**3,578,392**	3,675,990
Prepayments, other receivables and other assets		**181,886**	160,207
Financial assets at fair value through profit or loss		**2,544,426**	2,357,215
Other financial assets		**1,463,752**	1,873,773
Cash and bank balances	*11*	**17,615,274**	14,702,056
Total current assets		**25,831,620**	23,179,368
CURRENT LIABILITIES			
Trade and bills payables	*12*	**222,296**	248,330
Other payables and accruals	*13*	**2,265,631**	2,609,035
Contract liabilities		**25,097**	22,201
Lease liabilities		**15,543**	9,968
Tax payable		**90,935**	134,196
Total current liabilities		**2,619,502**	3,023,730
NET CURRENT ASSETS		**23,212,118**	20,155,638
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,382,377**	24,136,441

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	As at December 31 2022 ***RMB'000*** **(Audited)**	2021 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Convertible bonds		**4,282,742**	3,742,996
Lease liabilities		**79,571**	74,917
Deferred tax liabilities		**350,661**	266,752
Other non-current liabilities		**22,459**	22,931
Total non-current liabilities		**4,735,433**	4,107,596
NET ASSETS		**22,646,944**	20,028,845
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**52**	52
Treasury shares		**(28,027)**	(57,969)
Reserves		**22,674,919**	20,086,762
		22,646,944	20,028,845
Non-controlling interests		**–**	–
Total equity		**22,646,944**	20,028,845

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 address of the Company is 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 June 14, 2019.

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

2. BASIS OF PREPARATION

These financial statements of the Group have been prepared in accordance with the 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 financial reporting standards for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*

None of these amendments had a material impact on the financial position or performance of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 (EXPENSES)/GAINS, NET

An analysis of revenue, other income and other (expenses)/gains, net is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of goods – at a point in time	**9,298,594**	9,707,761
Collaboration revenue – at a point in time	**83,816**	227,380
	9,382,410	9,935,141
Other income		
Investment income	**22,431**	89,758
Government grants	**117,087**	138,053
Bank interest income	**309,085**	164,093
Others	**84**	1,284
	448,687	393,188
Other (expenses)/gains, net		
Gain on disposal of items of property, plant and equipment	**11,243**	3,935
Share of losses of associates	**(13,859)**	–
Fair value gains on financial assets at fair value through profit or loss	**67,583**	35,739
Fair value (losses)/gains of convertible bonds	**(159,124)**	108,754
Donations	**(47,386)**	(64,299)
Foreign exchange gains/(losses), net	**44,557**	(9,307)
Impairment of trade receivables, net	**(7,152)**	(817)
Impairment of inventories, net	**(3,180)**	(347)
Others	**(9,195)**	(10,792)
	(116,513)	62,866

6. PROFIT BEFORE TAX

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

	Notes	**2022**	2021
		RMB'000	*RMB'000*
Cost of inventories sold		**565,756**	590,142
Depreciation of property, plant and equipment		**315,538**	257,165
Depreciation of right-of-use assets		**20,230**	15,046
Amortisation of intangible assets		**8,834**	6,256
Impairment of trade receivables, net	*10*	**7,152**	817
Impairment of inventories, net		**3,180**	347
Operating lease expenses		**8,651**	29,421
Auditors' remuneration		**3,700**	3,820
Gain on disposal of items of property, plant and equipment		**(11,243)**	(3,935)
Investment income		**(22,431)**	(89,758)
Share of losses of associates		**13,859**	–
Fair value gains on financial assets at fair value through profit or loss		**(67,583)**	(35,739)
Fair value losses/(gains) of convertible bonds		**159,124**	(108,754)
Bank interest income		**(309,085)**	(164,093)
Foreign exchange (gains)/losses, net		**(44,557)**	9,307
Employee benefit expense:			
Wages and salaries		**1,744,635**	1,766,702
Social welfare and other benefits		**672,419**	538,234
Share based payments		**179,416**	65,472
		2,596,470	2,370,408

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits 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 the British Virgin Islands., the Group is not subject to any income tax in the Cayman Islands or the 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% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the Reporting Period. The first HK$2,000,000 (2021: HK$2,000,000) of assessable profits of each subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

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**"), a 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 2019, and was entitled to the preferential tax rate of 15% from 2020 to 2022.

In 2017, Shanghai Hansoh BioMedical Co., Ltd. ("**Shanghai Hansen**"), a 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.

In 2021, Changzhou Hengbang Pharmaceutical Co., Ltd.("**Changzhou Hengbang**"), a subsidiary of the Company, was initially accredited as a HNTE, and thus entitled to a preferential income tax rate of 15% from 2021 to 2023.

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

	2022	2021
	RMB'000	*RMB'000*
Current income tax	**280,772**	442,238
Deferred income tax	**83,909**	144,942
Tax charge for the year	**364,681**	587,180

8. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
2021 Final, Dividends declared – HK9.00 cents (2020 Final, Dividends declared – HK7.71 cents) per ordinary share	**455,826**	380,866
2022 Interim, Dividends declared – HK5.00 cents (2021: Nil) per ordinary share	**257,439**	–
	713,265	380,866

Pursuant to the resolution of the shareholders of the Company dated 10 June 2022 and the resolution of the board dated 26 August 2022, the Company declared dividends of HK$9.00 cents (2021: HK$7.71 cents) and HK$5.00 (2021: Nil) cents separately per ordinary share, amounting to a total of approximately RMB713,265,000 (2021: RMB380,866,000).

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 RMB2,583,747,000 (2021: RMB2,712,902,000), and the weighted average number of ordinary shares of 5,915,822,196 (2021: 5,921,040,161) in issue during the year.

The calculation of the diluted earnings per share amounts 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 diluted earnings per share for the year ended December 31, 2022 did not assume conversion of the convertible bonds because its conversion would have been anti-dilutive.

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

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**2,583,747**	2,712,902
Interest on convertible bonds	**–**	49,554
Less: Fair value gains 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	**2,583,747**	2,653,702

	Adjusted number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**5,915,822,196**	5,921,040,161
Effect of dilution – weighted average number of ordinary shares		
Restricted share units	**13,661,114**	3,749,136
Convertible bonds	**–**	73,068,427
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**5,929,483,310**	5,997,857,724
Basic earnings per share (RMB per share)	**0.44**	0.46
Diluted earnings per share (RMB per share)	**0.44**	0.44

10. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**3,542,190**	3,248,366
Impairment	**(8,221)**	(1,069)
	3,533,969	3,247,297
Bills receivable	**44,423**	428,693
	3,578,392	3,675,990

The Group's trading terms with its customers are mainly on credit, except for new customers, whose 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:

	2022	2021
	RMB'000	*RMB'000*
Within 90 days	**3,346,334**	2,997,328
91 days to 180 days	**8,406**	217,159
Over 180 days	**179,229**	32,810
	3,533,969	3,247,297

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

	2022	2021
	RMB'000	*RMB'000*
Within 90 days	**44,423**	394,604
91 days to 180 days	**–**	34,089
	44,423	428,693

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**1,069**	462
Impairment losses, net *(note 6)*	**7,152**	817
Amount written off as uncollectible	**–**	(210)
At end of year	**8,221**	1,069

11. CASH AND BANK BALANCES

	2022	2021
	RMB'000	*RMB'000*
Cash and bank balances, unrestricted	**2,464,318**	2,503,263
Time deposits with original maturity of less than three months when acquired	**201,814**	4,215,446
Time deposits with original maturity of over three months when acquired *(note (a))*	**14,949,142**	7,983,347
Cash and bank balances	**17,615,274**	14,702,056

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 5.55%. None of these investments are either past due or impaired. None of these deposits are pledged.

12. TRADE AND BILLS PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**133,959**	116,103
Bills payable	**88,337**	132,227
	222,296	248,330

An ageing analysis of the trade and bills payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 90 days	**220,947**	247,069
91 days to 180 days	**–**	193
181 days to 1 year	**–**	12
Over 1 year	**1,349**	1,056
	222,296	248,330

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

13. OTHER PAYABLES AND ACCRUALS

	2022	2021
	RMB'000	*RMB'000*
Accrued expenses	**1,597,138**	1,725,012
Staff payroll, welfare and bonus payables	**267,430**	362,688
Payables for purchase of items of property, plant and equipment	**85,385**	102,800
Other tax payables	**60,131**	112,861
Other payables	**255,547**	305,674
	2,265,631	2,609,035

14. SHARE CAPITAL

	2022	2021
	RMB	*RMB*
Issued and fully paid:		
5,922,350,070 shares of HK$0.00001 each (31 December 2021: 5,922,350,070 shares of HK$0.00001 each)	**52,169**	52,169

There was no movements in the Company's share capital during the year.

EVENTS AFTER THE REPORTING PERIOD

In January 2023, HS-10390 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 Focal Segmental Glomerulosclerosis and Immunoglobulin A Nephropathy with the specific indications to be determined after the clinical trials.

In January 2023, HS-10517 tablets, a Category 1 innovative drug and oral small molecule 3CL protease inhibitor against SARS-CoV-2, in which the Group cooperates with GHDDI, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of adult patients with mild to moderate SARS-CoV-2 infection.

In January 2023, four innovative drugs (including new indications) of the Group, namely Aumolertinib mesylate tablets (trade name: Ameile 阿美樂®), Inebilizumab Injections (trade name: XINYUE 昕越®), flumatinib mesylate tablets (trade name: Haosen Xinfu 豪森昕福®) and PEGloxenatide for injection (trade name: Fulaimei 孚來美®), both of which are innovative drugs self-developed by the Group, have been included in the NRDL (2022 version) released by the NHSA. Among them, Ameile for 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-positive (new indication approved in 2021) has been included in the updated NRDL for the first time. Inebilizumab Injections XINYUE for the treatment of adult patients with NMOSD who are AQP4 antibody-positive (indication approved in 2022) has been included in the updated NRDL for the first time.

Save as disclosed, there were no material events affecting the Company during the period from December 31, 2022 to the date of this announcement.

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 as set out in the CG Code during the Reporting Period, save for code provision C.2.1 of the CG Code.

Code Provision C.2.1

Code provision C.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.

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

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 D.3 of the CG Code. 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, Ernst & Young, have reviewed the audited results of the Group for the year ended December 31, 2022. 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

In December 2022, the Company repurchased bonds with an aggregate principal amount of US$4 million in accordance with the terms and conditions of the zero coupon convertible bonds due 2026 on January 22, 2021, which are listed on the Stock Exchange with stock code 40546.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2022.

DIVIDEND

The Board recommends a final dividend of HK$5 cents per share for the year ended December 31, 2022 (2021: RMB7.32 cents, equivalent to HK$9 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 Wednesday, July 5, 2023 to shareholders whose names appear on the register of members of the Company on Friday, June 9, 2023. Together with an interim dividend of HK$5 cents per share, the full-year dividend for 2022 amounted to HK$10 cents per share.

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 7, 2023 to Friday, June 9, 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, June 6, 2023.

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 for R&D, including but not limited to our existing and future domestic and overseas drug R&D, projects, 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$400.27 million was utilized as at December 31, 2022 and HK$3,076.93 million remains unutilized. The balance is expected to be fully utilized by 2030.

USE OF PROCEEDS 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 for 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. In December 2022, the Company repurchased bonds with an aggregate principal amount of US$4 million. US$362.63 million was utilized as at December 31, 2022 and US$229.02 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, 2022 of the Company and the notice of the AGM setting out, among others, the proposed date of the AGM, the period of closure of register of members and the record date for determining the eligibility for attending 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 27, 2023

As at the date of this announcement, the Board comprises Ms. Zhong Huijuan as chairlady and executive Director, Mr. Lyu Aifeng and Ms. 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*