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, 2023

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, 2023 (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, 2023, the Group recorded the following audited results:

- Revenue was approximately RMB10,104 million, representing an increase of approximately 7.7% compared with the year ended December 31, 2022;
- Revenue of innovative drugs and collaborative products amounted to approximately RMB6,865 million, representing an increase of approximately 37.1% compared with the year ended December 31, 2022, and its proportion of total revenue increased from approximately 53.4% for the year ended December 31, 2022 to approximately 67.9% for the year ended December 31, 2023;
- R&D expenditure was approximately RMB2,097 million, representing an increase of approximately 23.8% compared with the year ended December 31, 2022, and accounted for approximately 20.8% of the revenue;
- Net profit was approximately RMB3,278 million, representing an increase of approximately 26.9% compared with the year ended December 31, 2022;
- Earnings per share was approximately RMB0.55, representing an increase of approximately 26.6% compared with the year ended December 31, 2022.

The Board recommends a final dividend of HK$14.22 cents per share for the year ended December 31, 2023, 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 medical 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 medical needs, including oncology, anti-infective diseases, central nervous system ("**CNS**") and metabolic diseases, and has successfully transformed itself into an innovative biopharma company that focuses on developing and selling innovative drugs. As at the end of the Reporting Period, the Group has been approved to market a total of seven innovative drugs, all of which were included in the National Reimbursement Drug List ("**NRDL**"). During the Reporting Period, the Group obtained marketing approvals for a total of six new products, including one innovative drug (with two indications approved), and has newly obtained 23 clinical approvals which belong to 10 innovative drugs. The revenue of innovative drugs and collaborative products amounted to approximately RMB6,865 million and its proportion of total revenue increased to approximately 67.9%, becoming a core driver for sustainable growth of the Company's performance.

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

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 National Medical Products Administration of the People's Republic of China ("**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, the following 4 innovative drugs including new indications of the Group have been included in the NRDL (2022 Version) ("**2022 NRDL**") released by the National Healthcare Security Administration of the PRC ("**NHSA**"): Aumolertinib Mesilate Tablets (trade name: Ameile (阿美樂®)), Inebilizumab Injections (trade name: XINYUE (昕越®)), Flumatinib mesylate tablets (trade name: Hansoh Xinfu (豪森昕福®)) and PEG-loxenatide for injection (trade name: Fulaimei (孚來美®)). Among these drugs, Ameile, used for the first-line treatment of adult patients with locally advanced or metastatic non-small cell lung cancer ("**NSCLC**") whose tumors have epidermal growth factor receptor ("**EGFR**") exon 19 deletions or exon 21 (L858R) substitution mutation-positive (indication approved in 2021), has been included in the 2022 NRDL for the first time; XINYUE, used for the treatment of adult patients with neuromyelitis optica spectrum disorders ("**NMOSD**") who are AQP4 antibody-positive (indication approved in 2022), has also been included in the 2022 NRDL for the first time.

In May 2023, HS-10506 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 depression and insomnia, with the specific indication to be determined after the completion of clinical research.

In June 2023, HS-20117 (license-in as PM1080), a Category 1 innovative drug developed by the Group under the exclusive license from Biotheus Inc. ("**Biotheus**"), has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of advanced solid tumor.

In June 2023, HS-10516 Capsules (license-in as NKT2152), a Category 1 innovative drug developed by the Group under the exclusive license from NiKang Therapeutics Inc. ("**NiKang Therapeutics**"), has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of renal cell carcinoma.

In June 2023, Dapagliflozin Tablets, developed by the Group, has been granted drug registration approval issued by the NMPA, and is indicated to improve glycemic control in adults with type 2 diabetes mellitus.

In June 2023, HS-10518 Capsules (license-in as TU2670), a Category 1 innovative drug developed by the Group under the exclusive license from TiumBio Co., Ltd. ("**TiumBio**"), has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the management of moderate to severe pain associated with endometriosis and management of heavy menstrual bleeding associated with uterine leiomyomas.

In June 2023, Pegmolesatide Injection (trade name: Saint Luolai (聖羅萊®)), a Category 1 innovative drug self-developed by the Group, has been granted drug registration approval issued by the NMPA, and is indicated to treat adult patients with anemia in chronic kidney disease ("**CKD**") who have not received erythropoiesis stimulating agent ("**ESA**") and not on dialysis, as well as those who are receiving short-acting erythropoietin treatment and on dialysis.

In July 2023, the new drug application of Ibrexafungerp Tablets (R&D code: HS-10366) developed by the Group under the exclusive license from SCYNEXIS, Inc. ("**SCYNEXIS**"), has been accepted by the NMPA, and it is intended to be used for the treatment of adult and postmenarchal pediatric females with vulvovaginal candidiasis (VVC).

In August 2023, Jiangsu Hansoh Pharmaceutical Group Company Limited* (江蘇豪森藥業集團有限公司), a wholly-owned subsidiary of the Company, entered into an exclusive collaboration agreement (the "**Collaboration Agreement**") with Antengene Corporation (Hong Kong) Limited and Antengene (Zhejiang) Pharmaceutical Technology Company Limited* (德琪(浙江)醫藥科技有限公司), both being subsidiaries of Antengene Corporation Limited (collectively, "**Antengene**"). Pursuant to the Collaboration Agreement, the Group will be exclusively responsible for the commercialization of selinexor and any product containing or comprising selinexor (marketed as XPOVIO®) in the Chinese Mainland.

In September 2023, Nintedanib Esilate Soft Capsules developed by the Group has been granted drug registration approval by the NMPA, and is indicated for systemic sclerosis-associated interstitial lung disease and chronic fibrosing interstitial lung diseases with a progressive phenotype.

In September 2023, HS-20105, a Category 1 therapeutic biological product 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 specific indication to be determinated after the completion of clinical research.

In October 2023, HS-20106 Injections (license-in as KER-050), a Category 1 therapeutic biological product developed by the Group under the exclusive license from Keros Therapeutics, Inc. ("**Keros Therapeutics**"), has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of low blood cell counts, or cytopenias, including anemia and thrombocytopenia, in patients with myelodysplastic syndromes, and in patients with myelofibrosis.

In October 2023, Shanghai Hansoh Biomedical Company Limited* (上海翰森生物醫藥科技有限公司), a wholly-owned subsidiary of the Group, entered into a license agreement with GlaxoSmithKline Intellectual Property (No.4) Limited, a wholly-owned subsidiary of GSK plc ("**GSK**"), pursuant to which GSK shall obtain an exclusive worldwide license (excluding the Chinese Mainland, Hong Kong, Macau, and Taiwan regions) to develop, manufacture and commercialize HS-20089. HS-20089, a novel B7-H4 directed antibody-drug conjugate ("**ADC**"), is being developed for the treatment of advanced solid tumor in a phase I clinical study in China.

In November 2023, Tedizolid Phosphate for Injection developed by the Group has been granted drug registration approval by the NMPA, and is indicated for acute bacterial skin and skin structure infections (ABSSSI).

In November 2023, HS-10511 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 hypertrophic cardiomyopathy (HCM), with the specific indication to be determined after the completion of clinical research.

In December 2023, the Group further entered into a license agreement with GSK, pursuant to which GSK shall obtain an exclusive worldwide license (excluding the Chinese Mainland, Hong Kong, Macau, and Taiwan regions) to develop, manufacture and commercialize HS-20093. HS-20093, a novel B7-H3-targeted ADC is being developed for the treatment of lung cancer, sarcoma, head and neck cancers and other solid tumors in multiple phase I and II clinical studies in China.

In December 2023, the following 3 innovative drugs of the Group have been included in the updated NRDL (2023 Version) ("**2023 NRDL**") published by the NHSA: Pegmolesatide Injection (brand name: Saint Luolai 聖羅萊) has been included in the NDRL for the first time; Tenofovir Amibufenamide Tablets (brand name: Hengmu 恒沐®) continues to be included in the 2023 NRDL; and Morinidazole Sodium Chloride for Injection (brand name: Mailingda 邁靈達®) has been included in the general list of the 2023 NRDL.

The Company continues to improve its environmental, social and governance (ESG) performance. In the latest ESG rating report of MSCI in 2023, the Company's rating was upgraded to AA. In addition, in the current year, the Company was also listed in the Sustainability Yearbook (China Edition) 2023 published by S&P Global and ranked in the top 1% of the industry in terms of ESG score, and honoured as the "Industry Mover".

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

During the Reporting Period, the orderly progress of the 14th Five-Year Plan and the deepening of reform of the medical and health care system not only expanded the supply of healthcare services and upgraded the capacity of primary healthcare, but also simultaneously enhanced the accessibility and affordability of innovative drugs. In addition, with the continuous expansion of the NRDL and the continuous support of various policies, the innovative drug market in China has grown rapidly in scale. In terms of innovation and R&D, the launch of industry-led policies such as the *Action Plan for High Quality Development of Pharmaceutical Industry (2023-2025)** have boosted the industry's confidence in its development, and documents such as the *Technical Guiding Principles for Patient-Centred Clinical Trial Design** have further guided the focusing of innovative resources on clinical needs and patients' benefits at the regulatory level, thus promoting the industry's high-quality development. Innovative drug companies with innovative drug products of higher clinical value and efficient and compliant commercialization capabilities are expected to achieve sustainable and high-quality performance.

Business Highlights

During the year ended December 31, 2023, the Group's revenue of innovative drugs and collaborative products amounted to approximately RMB6,865 million, representing a year-on-year increase of approximately 37.1%, and its proportion of total revenue increased to approximately 67.9%. In terms of innovation and R&D, the Group continued to increase R&D investment to in turn increase its innovation capability and R&D efficiency. During the Reporting Period, the Group was approved to market an innovative drug, which was included in the NRDL in the same year, and had a pool of more than 30 innovative drug projects at various clinical development stages. Meanwhile, the Group pays close attention to cutting-edge dynamics of the global pharmaceutical industry, proactively takes opportunities for co-operation in business development ("**BD**"), accelerates the commercialisation of the Group's innovations, and continuously explores excellent opportunities to enrich its innovative product pipeline.

For the year ended December 31, 2023, the Group recorded revenue of approximately RMB10,104 million, representing an increase of approximately 7.7% compared with the corresponding period of the previous year; profit of approximately RMB3,278 million, representing an increase of approximately 26.9% compared with the corresponding period of the previous year; and earnings per share of approximately RMB0.55, representing an increase of approximately 26.6% compared with the corresponding period of the previous year. We generate our revenue primarily from sales of pharmaceutical products. Our main products are concentrated in the therapeutic areas which the Group strategically targets, including oncology, anti-infective diseases, CNS diseases, metabolic diseases and other main therapeutic areas.

For the year ended December 31, 2023, the revenue and product portfolio of our major therapeutic areas are as follows:

Therapeutic Area	Product Portfolio
Oncology (revenue from this area amounted to approximately RMB6,169 million, accounting for approximately 61.0% of the total revenue)	Ameile (Aumolertinib Mesilate Tablets), an innovative drug, Hansoh Xinfu (Flumatinib Mesylate Tablets), an innovative drug, Pulaile (Pemetrexed Disodium for Injection), Pulaitan (Enzalutamide Soft Capsules), Xinwei (Imatinib Mesylate Tablets) and Tanneng (Fosaprepitant Dimeglumine for Injection), etc.
Anti-infective diseases (revenue from this area amounted to approximately RMB1,269 million, accounting for approximately 12.6% of the total revenue)	Hengmu (Tenofovir Amibufenamide Tablets), an innovative drug, Mailingda (Morinidazole Sodium Chloride for Injection), an innovative drug and Hengsen (Micafungin Sodium for Injection), etc.
CNS diseases (revenue from this area amounted to approximately RMB1,367 million, accounting for approximately 13.5% of the total revenue)	XINYUE (Inebilizumab Injections), Ameining (Agomelatine Tablets), Ailanning (Paliperidone Extended-Release Tablets), and Oulanning (Olanzapine Tablets), etc.
Metabolic diseases and others (revenue from this area amounted to approximately RMB1,299 million, accounting for approximately 12.9% of the total revenue)	Fulaimei (PEG-Loxenatide for Injection), an innovative drug, Saint Luolai (Pegmolesatide Injection), an innovative drug, Ruibote (Rabeprazole Sodium Enteric-coated Tablets), Fulaidi (Repaglinide Tablets), Fulairui (Canagliflozin Tablets) and Puruian (Ambrisentan Tablets), etc.

Innovative Drug Products

During the Reporting Period, seven of the Group's approved innovative medicines (Ameile, Hansoh Xinfu, Mailingda, Fulaimei, Hengmu, XINYUE, and Saint Luolai) have been included in the NDRL.

Ameile

Ameile (Aumolertinib Mesilate 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 EGFR exon 19 deletions or exon 21 (L858R) substitute mutation positive, and has been included in the 2022 NRDL after negotiations in January 2023. 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 also successfully renewed in the 2022 NRDL in January 2023.

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 III clinical data. Its concrete clinical data, which were presented at the American Society of Clinical Oncology ("**ASCO**") meeting in June 2021, showed 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 2023, there were a number of academic publications on Ameile, including two major clinical studies presented at the Annual Meeting of the American Association for Cancer Research ("**AACR**") 2023 and the Annual Meeting of the ASCO 2023. In addition, a series of clinical research information and achievements related to Ameile have been published at the Annual Meeting of the European Lung Cancer Congress ("**ELCC**") 2023, the Annual Meeting of the World Conference on Lung Cancer ("**WCLC**") 2023, the Annual Meeting of the European Society of Medical Oncology ("**ESMO**") 2023 and the Annual Meeting of the European Society of Medical Oncology Asia ("**ESMO ASIA**") 2023, one of which was selected as a Late Breaking Abstract ("**LBA**") at ESMO ASIA.

Since the launch of its in two indications, Ameile is in Phase III pivotal registration clinical trials for a series of indications, including post-operative adjuvant and first-line chemotherapy combinations. In terms of other combinations, the clinical trials of Ameile in combination with the HS-10241, the Company's proprietary cMET small molecule, entered Phase III pivotal registration clinical trial stage, which is intended for the treatment of patients with locally advanced or metastatic NSCLC with EGFR mutation accompanied by MET amplification who have failed treatment with EGFR-TKI.

Ameile has been recommended as Class I or Preferred by eight national diagnosis and treatment guidelines, including the Guidelines of Chinese Society of Clinical Oncology ("**CSCO**") for the treatment of Non-small Cell Lung Cancer in 2023* (《中國臨床腫瘤學會(CSCO)非小細胞肺癌診療指南(2023版)》). Ameile's patent titled "EGFR Inhibitor and its Preparation and Application" was also awarded the 24th "China Patent Gold Award"*. The Group continues to advance the regulatory review process for aumolertinib marketing authorization applications (the "**MAAs**") by the Medicines and Healthcare Products Regulatory Agency ("**MHRA**") in the United Kingdom and the European Medicines Agency ("**EMA**").

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 and was successfully renewed in the 2022 NRDL in January 2023. 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 occurs in the use of other second-generation Bcr-Abl TKI has been observed, and its safety profile is more favorable. 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* (《慢性髓性白血病診斷與治療指南》) released by the National Health Commission and the Guidelines of CSCO for the treatment of Malignant Hematologic Diseases* (《CSCO 惡性血液病診療指南》).

Mailingda

Mailingda (Morinidazole Sodium Chloride for Injection), the Group's first self-developed innovative drug, was included in the NRDL after negotiation in 2017, and was successfully renewed in November 2019, in December 2021 (with zero price reduction) and successfully renewed again in the general list in December 2023. Mailingda is the new 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 for 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)》).

Fulaimei

Fulaimei (PEG-Loxenatide for Injection) is the first innovative drug launched leveraging on the Group's proprietary PEGylation technology. It delivers significant efficacy in lowering blood glucose with favorable safety profile, and only requires a weekly administration. It is the first long-acting GLP-1 innovative drug wholly developed in China, which provides a new treatment option to diabetes patients in China. Fulaimei was first included in the NRDL after negotiation in 2020 and was successfully renewed in the 2022 NRDL in January 2023. 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) since 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. It was successfully renewed in the 2023 NRDL in December 2023.

Hengmu is a novel nucleotide reverse transcriptase inhibitor. By optimizing the compound structure, Hengmu has higher cell membrane penetration rate, making it easier to enter liver cells to achieve liver-targeting effect in order to effectively improve drug plasma stability and reduce systematic exposure of tenofovir in patients. It provides a safer option for long-term treatment. The 144-week data update of Phase III pivotal study of Hengmu was selected as a LBA and presented at the 74th Annual Meeting of the American Association for the Study of Liver Diseases, and the results of the study once again demonstrated its efficacy and safety as a long-term treatment for chronic hepatitis B patients. In addition, the 48-week data of Phase III pivotal study of Hengmu was published in *Aliment Pharmacol Therapeutics* and the 96-week data was published in the *Journal of Clinical and Translational Hepatology*, both of which have demonstrated the preferential anti HBV efficacy and bone and renal safety of Hengmu.

Hengmu has been included in the Chronic Hepatitis B Prevention and Control Guidelines (2022 Edition)* (《慢性乙型肝炎防治指南(2022年版)》) as one of the first-line recommendation of antiviral therapy for chronic hepatitis B in February 2023, and has also been included in the Guidelines of CSCO for the treatment of Hepatocellular Cancer (2022 Edition)* (《CSCO 肝癌診療指南(2022年版)》) as Class I recommendation.

XINYUE

XINYUE (Inebilizumab Injections) is a targeted CD19 B-cell depleting antibody for adult patients with AQP4-IgG+ NMOSD developed by our collaborator, Viela Bio, Inc. ("**Viela Bio**", which was acquired by Horizon Therapeutics plc in March 2021, and Horizon Therapeutics plc was acquired by Amgen INC ("**Amgen**") in December 2023). 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 XINYUE in designated territories (i.e. the Chinese Mainland, Hong Kong and Macau regions) for NMOSD as well as other designated potential indications. Our collaborator, Amgen, is currently investigating global multi-centre clinical trials in IgG4-related diseases (IgG4-RD) and myasthenia gravis (gMG), including Chinese centres. In March 2022, XINYUE was approved for marketing in the Chinese Mainland and included in the 2022 NRDL after negotiation in January 2023. 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.

Saint Luolai

Saint Luolai (Pegmolesatide Injection), a Category 1 innovative drug which has been self-developed by the Group over the past 15 years, is a long-acting peptide-based ESA promoting the proliferation of red blood cells in the body. In June 2023, Saint Luolai has been approved for two indications to treat anemia in CKD adult patients who have not received ESA and not on dialysis, as well as those who are receiving short-acting erythropoietin treatment and on dialysis. Saint Luolai was included in the 2023 NRDL in December 2023 for the first time through negotiation for its two indications.

Saint Luolai has a high selectivity agonist EPO Receptor (EPOR). It effectively binds to EPOR homodimers, promoting erythropoiesis. Saint Luolai exhibits comparable erythropoietic effects to traditional ESAs but demonstrates lower binding to non-erythropoietic heterodimers (EPOR + CD131), which may offer potential safety advantages. The data of the Phase III pivotal clinical trial of Saint Luolai were published in *eClinicalMedicine*, a sub-journal of *The Lancet*, demonstrating that, as a once-monthly peptide-based highly specific EPO receptor agonist, it has a significantly extended half-life compared to short-acting ESAs and enables once-every-4-week dosing, which enhances patient convenience while improving treatment compliance.

R&D and Innovation

Focus on innovation is the core driving force of our Company's development. The Group has continuously increased its investments in R&D over the years, built complete R&D platforms, established a number of proprietary technologies, developed and commercialized a number of innovative drug products, as well as prepared a series of innovative drugs which are currently at different stages of R&D. Our professional R&D team consists of about 1,671 research fellows at four R&D centres in Shanghai, Lianyungang and Changzhou, as well as Maryland, United States. 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).

During the year ended December 31, 2023, we submitted 37 formal patent applications in China and 57 were granted in China; we submitted 112 formal overseas patent applications and 27 were granted.

R&D pipeline update

During the year ended December 31, 2023, the Group had more than 50 clinical trials of innovative drugs being investigated, covering more than 30 innovative drug products. During the Reporting Period, in the Chinese Mainland, the Group added eight new innovative drugs that entered the clinical stage for the first time:

First Approved Clinical Trial Time	Drugs in development (targets, if applicable)	Indications
January 2023	HS-10390 tablets	focal segmental glomerulosclerosis and immunoglobulin a nephropathy
May 2023	HS-10506 tablets	depression and insomnia
June 2023	HS-20117 Injections (cMET-EGFR)	advanced solid tumor
June 2023	HS-10516 Capsules (HIF-2α)	renal cell carcinoma
June 2023	HS-10518 Capsules (GnRH)	moderate to severe pain associated with endometriosis and management of heavy menstrual bleeding associated with uterine leiomyomas
September 2023	HS-20105 (Trop2)	advanced solid tumor
October 2023	HS-20106 Injections (ActRIIA ligand trap)	low blood cell counts, or cytopenias, including anemia and thrombocytopenia, in patients with myelodysplastic syndromes, and in patients with myelofibrosis
November 2023	HS-10511 tablets	hypertrophic cardiomyopathy (HCM)

R&D progress of key products

The anti-tumor product HS-10241 is an oral and highly selective MET-tyrosine kinase inhibitor (TKI). The Phase I trial results of HS-10241 as mono therapy in patients with advanced NSCLC were published in the international journal *JTO Clinical and Research Reports*. In addition, Phase Ib trial results of HS-10241 in combination with Ameile demonstrated that the combination was well tolerated and showed encouraging anti-tumor activity in the treatment of advanced NSCLC previously treated with an EGFR-TKI with EGFR mutation and MET amplification. Currently, the combination with Ameile is in Phase III pivotal trial and is intended to treat patients with locally advanced or metastatic NSCLC with EGFR mutations associated with MET amplification who progressed on a prior EGFR-TKI.

The anti-tumor product HS-10365 is a highly potent and selective RET TKI. The Phase I incremental trial data of HS-10365 as mono therapy presented at the 114th Annual Meeting of the AACR 2023 showed a manageable safety profile and favorable pharmacokinetic properties. The promising anti-tumor activity was observed in patients with RET gene fusion-positive NSCLC, either with or without previous treatments. The pivotal trial of HS-10365 is ongoing for patients with locally advanced or metastatic NSCLC who are positive for the RET gene fusion.

The anti-tumor product HS-20089 is a novel ADC targeting B7-H4. The Phase I trial result was selected as a LBA at the Annual Meeting of the ESMO 2023 and verbally reported on. The Phase I trial result demonstrated good tolerability and anti-tumor activity in advanced solid tumors as well as encouraging clinical efficacy in triple-negative breast cancer (TNBC). Phase II clinical trials are currently ongoing for patients with recurrent or metastatic ovarian cancers and endometrial cancers.

The anti-tumor product HS-20093 is a novel ADC targeting B7-H3 composed of a fully humanized anti-B7-H3 monoclonal antibody covalently linked to topoisomerase inhibitor (TOPOi) payload. Data from the ARTEMIS-001 Phase I trial (NCT05276609), for HS-20093 in advanced solid tumors, was presented at the ASCO 2023 in which initial clinical activity was observed in small cell lung cancer, non-small cell lung cancer and sarcoma with multiple confirmed responses and a manageable safety profile. HS-20093 is being developed for the treatment of lung cancer, sarcoma, head and neck cancers and other solid tumors in multiple phase I and II clinical trials in China.

The metabolic diseases product HS-20094, is a dual-action glucagon-like peptide-1 (GLP-1) and glucose-dependent insulinotropic polypeptide (GIP) receptor agonist. Its Phase I trial showed good safety and tolerability in the healthy subjects, and demonstrated signals of lowering blood sugar and body weight. Currently, there are two Phase II clinical trials ongoing, one is on patients with type 2 diabetes mellitus and another is on subjects who are overweight or obese.

BD

The Group adheres to in-house R&D and external BD collaboration as important parts of the ordinary and usual course of our business. In addition to investing in internal R&D, in order to enhance the product pipeline, the Group also proactively explores opportunities with relatively high commercial potential, and actively engages in platform cooperation globally, thus forming a R&D pipeline layout with differentiated competitive strengths. In terms of license-in, as at the end of the Reporting Period, the Company had introduced a cumulative total of nine clinical-stage collaborative projects and all of them have been approved for clinical use in China, as well as two projects in the commercialisation stage. The Group also actively pursues license-out opportunities for its own pipeline products and completed two external licensing approvals during the Reporting Period.

During the Reporting Period, the expenses of BD projects incurred and recognised as R&D expenditure were approximately RMB229 million in total. US$85 million BD licensing fees was received from GSK, our collaborator.

Key License and Collaboration

In October and December 2023, the Group entered into licence agreements with GSK. Pursuant to these agreements, GSK was granted exclusive worldwide licences (excluding the Chinese Mainland, Hong Kong, Macau and Taiwan regions) to develop, manufacture and commercialise HS-20089 and HS-20093, both of which are antibody-drug conjugate (ADC) and currently being investigated in various stages of clinical studies in China. The Group is eligible to receive an upfront payment of US$85 million for HS-20089 and up to US$1.485 billion, subject to achievement of relevant milestone events, with respect to HS-20089, and eligible to receive an upfront payment of US$185 million for HS-20093 and up to US$1.525 billion, subject to achievement of relevant milestone events with respect to HS-20093.

In August 2023, the Group entered into the Collaboration Agreement with Antengene. Pursuant to the Collaboration Agreement, the Group will be exclusively responsible for commercialization of selinexor and any product containing or comprising selinexor (marketed as XPOVIO) in the Chinese Mainland. XPOVIO is the world's first orally selective inhibitor of the nuclear export protein, being developed for the treatment of various hematological malignancies and solid tumors. XPOVIO is approved in the Chinese Mainland in combination with dexamethasone for the treatment of adult patients with relapsed/refractory multiple myeloma who have received prior therapies and whose disease is refractory to at least one proteasome inhibitor, at least one immunomodulatory agent, and an anti-CD38 monoclonal antibody.

Progress of co-operation projects

HS-20117, for which the Group was granted an exclusive license by Biothus in China (including the Hong Kong, Macau and Taiwan regions), has been granted a clinical trial notice issued by the NMPA in June 2023.

HS-10516 Capsules, for which the Group was granted an exclusive license by NiKang Therapeutics in China (including the Hong Kong, Macau and Taiwan regions), has been granted a clinical trial notice issued by the NMPA in June 2023.

HS-10518 Capsules, for which the Group was granted an exclusive license by Tiumbio in China (including the Hong Kong, Macau and Taiwan regions), has been granted a clinical trial notice issued by the NMPA in June 2023.

HS-20106 Injection, for which the Group was granted an exclusive license by Keros Therapeutics in the Chinese Mainland, Hong Kong and Macau regions, has been granted a clinical trial notice issued by the NMPA in October 2023.

Environmental, Social and Governance (ESG)

Adhering to our core values of "responsibility, integrity, hard work and innovation", the Group has long been committed to improving the accessibility of innovative medicines in areas of critical clinical needs. At the same time, through our unremitting efforts over the past year, we have achieved remarkable results in various aspects such as innovative achievements, strengthening of governance, green development, talent cultivation and access to healthcare, thus laying a solid foundation for the Company's long-term development. We are continuously improving the disclosure of our governance, strategies, risks, indicators and targets on key ESG issues, including climate risk and drug accessibility, and are moving towards a higher level of ESG management to address the concerns of investors, community members, employees, suppliers, clinical trial subjects, the environment and ecosystems, customers, and patients at large.

In 2023, the Board of the Company insisted on fulfilling its supervisory responsibilities through the ESG Committee to regularly review the strategies and systems for risk prevention, the consistency and integration of the ESG strategies with the business strategies, and the key ESG performance reflecting the results of the comprehensive ESG enhancement, as well as to make a forward-looking response to address hidden or potential risks that were identified.

In order to respond to the increasingly drastic global climate change and take responsibility for protecting human health, during the Reporting Period, the Company made a further commitment to achieve carbon neutrality by 2055, based on the environmental targets set for 2021. At the same time, we comprehensively enhanced our 2030 environmental targets by not only quantitatively increasing our efforts in energy conservation and hazardous substance reduction, but also adding a quantitative reduction target for wastewater pollutants. We continue to carry out third-party verification of GHG Scope 1, Scope 2 and Scope 3, optimise our processes, promote energy and material efficiency, and steadily move closer to achieving our long-term carbon neutrality goal through practical efforts.

During the Reporting Period, the MSCI ESG rating of the Group was upgraded to AA, and the Group was placed among the leading position in the industry for key issues such as corporate governance, product safety and quality, and access to healthcare. Prior to the release of the report, the Group was selected as a member of the *2024 Sustainability Yearbook (Global Edition)* published by S&P and once again ranked first in the Chinese pharmaceutical industry in the 2023 S&P Global CSA (Corporate Sustainability Assessment). During the Reporting Period, the Company's innovative drug patent, Aumolertinib, was awarded the China Patent Gold Award, the highest honor in China's intellectual property sector. In addition, we also won the Gold Award in *The Asset* ESG Corporate Awards 2023 and HRoot 2023 "Outstanding Employer" award for Greater China.

We are actively responding to the United Nations Sustainable Development Goals, and in the process of realising the ESG concept, we are integrating it more closely with our corporate development strategy, promoting good practices to our industry partners and supply chain, and striving to make high-quality green innovations benefit more patients. We will continue to adhere to the philosophy of being "patient-centred and innovation-driven" and make the contributions that are expected of us as a responsible corporate citizen.

Liquidity and Financial Resources

Currently, the Group follows a set of funding and treasury policies to manage its capital resources and mitigate potential risks. The Board considers various funding sources depending on the Group's funding needs to ensure that the financial resources have been used in the most cost-effective and efficient way. We also closely monitor uses of cash resources and strive to maintain a healthy liquidity for the needs of our business and operations.

For the year ended December 31, 2023, the Group's operating activities generated a net cash inflow of RMB3,116 million. The capital expenditure during the Reporting Period was RMB348 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, etc. The cash flow of financing activities for the Reporting Period mainly consisted of the payment for dividends of RMB652 million.

The Group's financial position remains sound. As at December 31, 2023, we had cash and bank balances of RMB22,435 million (as at December 31, 2022: RMB17,615 million), financial assets at fair value through profit or loss of RMB512 million (as at December 31, 2022: RMB2,544 million), other financial assets of RMB1,910 million (as at December 31, 2022: RMB1,464 million). As at December 31, 2023, our financial assets at fair value through profit or loss and other financial assets primarily comprised investments in financial products issued by commercial banks. As each of the financial products were subscribed with different banks under different terms and are of different nature and none of the financial products exceeds 5% of the applicable percentage ratios on a standalone basis, the Group's purchase of financial products during the year ended December 31, 2023 do 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, 2023, the Group's gearing ratio (calculated as total liabilities divided by total assets) was approximately 21.9% (as at December 31, 2022: 24.5%).

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, 2023, none of the Group's assets was subject to any encumbrance, mortgage, lien, charge or pledge.

Contingent Liabilities

As at December 31, 2023, 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, 2023, 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, 2023, the Group had a total of 9,123 employees, whose remuneration is determined based on their performance and experience as well as the prevailing market salary levels.

The staff costs, including remuneration of the executive Directors, social welfare and other benefits, were approximately RMB2,681 million for the year ended December 31, 2023. 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 further development of the Group. Participants may include employees of the Group (such as director, chief executive officer, vice president, financial controller, company secretary, members of senior management or key technical personnel) as well as any other person selected by the Board at its sole discretion from time to time (subject to compliance with the applicable Listing Rules).

On April 21, 2023, pursuant to the RSU Scheme, the Company allotted and issued 11,000,000 new ordinary shares (aggregate nominal value: HK$110) to Computershare Hong Kong Trustees Limited (the "**RSU Trustee**"), holding such shares for the benefit of the participants of the RSU Scheme pursuant to the terms of the RSU Scheme, with the issue price per share of HK$2.29 as measured by the Company, which was arrived at after taking into consideration the number of existing treasury shares and the purchase prices of the RSUs at the time of measurement, and the closing price per share of the Company of the immediately preceding business day being HK$14.96. During the Reporting Period, the RSU Trustee was instructed by the Company to purchase an aggregate of 10,028,000 shares from the open market. The RSU Trustee shall hold such shares for the benefit of selected participants. As at December 31, 2023, a balance of 9,614,700 Shares was held by the RSU Trustee for the RSU Scheme. 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.

During the Reporting Period, restricted share units ("**RSUs**") representing up to an aggregate of 20,304,400 shares had been granted by the Company pursuant to the RSU Scheme. As at December 31, 2023, RSUs representing up to an aggregate of 52,290,594 shares of the Company will be available for future grants. Among the grants during the year ended December 31, 2023, all RSUs granted to Ms. Sun Yuan (representing 1,300,000 shares) and Mr. Lyu Aifeng (representing 600,000 shares), both being executive Directors of the Company and details of which are set out in the announcement of the Company dated April 27, 2023, only involve existing RSUs of the Company held or to be held by the RSU Trustee, and no new shares were or will be allotted or issued for the vesting of RSUs for the Directors of the Company. The grant of RSUs to them form part of their remuneration package under their service contracts with the Company and are therefore exempted from the reporting, announcement and independent shareholders' approval requirements under Rules 14A.73(6) and 14A.95 of the Listing Rules.

Prospects

In the future, we will continue to intensify our innovation efforts, accelerate the implementation of our R&D results, and actively engage in external collaborations to enrich our product pipeline and promote acceleration of the commercialisation process, so as to better meet the unmet medical needs of patients in China and around the world. The Company will also continue to deepen its operational reforms and adhere to regulatory compliance to ensure the healthy and sustainable development of the Company, as well as actively fulfill its corporate social responsibility and promote the realisation of value for all stakeholders.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the year ended December 31, 2023 RMB'000 (Audited)	2022 RMB'000 (Audited)
REVENUE	*5*	**10,103,806**	9,382,410
Cost of sales		**(1,030,863)**	(867,010)
Gross profit		**9,072,943**	8,515,400
Other income	*5*	**1,125,424**	448,687
Selling and distribution expenses		**(3,531,163)**	(3,550,230)
Administrative expenses		**(709,844)**	(597,460)
Research and development costs		**(2,097,046)**	(1,693,314)
Other expenses	*5*	**(27,480)**	(116,513)
Finance costs		**(66,679)**	(58,142)
PROFIT BEFORE TAX	*6*	**3,766,155**	2,948,428
Income tax expense	*7*	**(488,652)**	(364,681)
PROFIT FOR THE YEAR		**3,277,503**	2,583,747
Attributable to:			
Owners of the parent		**3,277,503**	2,583,747
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic (RMB)		**0.55**	0.44
Diluted (RMB)		**0.52**	0.44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the year ended December 31, 2023 RMB'000 (Audited)	2022 RMB'000 (Audited)
PROFIT FOR THE YEAR		**3,277,503**	2,583,747
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**427,921**	632,886
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**427,921**	632,886
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**427,921**	632,886
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,705,424**	3,216,633
Attributable to:			
Owners of the parent		**3,705,424**	3,216,633

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at December 31, 2023 ***RMB'000*** **(Audited)**	2022 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,045,060**	3,195,646
Right-of-use assets		**234,663**	254,247
Intangible assets		**177,416**	33,422
Investments in associates		**–**	241,071
Financial assets at fair value through profit or loss		**684,706**	412,579
Prepayments for purchase of property, plant and equipment		**13,927**	33,294
Total non-current assets		**4,155,772**	4,170,259
CURRENT ASSETS			
Inventories		**575,782**	447,890
Trade and bills receivables	*10*	**3,214,251**	3,578,392
Prepayments, other receivables and other assets		**236,208**	181,886
Financial assets at fair value through profit or loss		**512,409**	2,544,426
Other financial assets		**1,909,966**	1,463,752
Cash and bank balances	*11*	**22,434,691**	17,615,274
Total current assets		**28,883,307**	25,831,620
CURRENT LIABILITIES			
Trade and bills payables	*12*	**163,763**	222,296
Convertible bonds		**4,183,198**	–
Other payables and accruals	*13*	**2,375,680**	2,265,631
Contract liabilities		**38,471**	25,097
Lease liabilities		**16,087**	15,543
Tax payable		**85,650**	90,935
Total current liabilities		**6,862,849**	2,619,502
NET CURRENT ASSETS		**22,020,458**	23,212,118
TOTAL ASSETS LESS CURRENT LIABILITIES		**26,176,230**	27,382,377

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	As at December 31, 2023 ***RMB'000*** **(Audited)**	2022 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Convertible bonds		**39,742**	4,282,742
Lease liabilities		**64,708**	79,571
Deferred tax liabilities		**255,020**	350,661
Other non-current liabilities		**21,987**	22,459
Total non-current liabilities		**381,457**	4,735,433
NET ASSETS		**25,794,773**	22,646,944
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**52**	52
Treasury shares		**(108,629)**	(28,027)
Reserves		**25,903,350**	22,674,919
		25,794,773	22,646,944
Non-controlling interests		**–**	–
Total equity		**25,794,773**	22,646,944

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 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**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

None of these amendments had a material impact on the financial position or performance of the Group.

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 Chinese Mainland and most of the Group's identifiable operating assets and liabilities were located in Chinese Mainland, 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

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

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of goods – at a point in time	**9,403,962**	9,298,594
Collaboration revenue – at a point in time	**699,844**	83,816
Total	**10,103,806**	9,382,410
Other income		
Investment income	**115,166**	22,431
Government grants	**104,431**	117,087
Bank interest income	**905,005**	309,085
Others	**822**	84
Total other income	**1,125,424**	448,687
Other expenses		
Gain on disposal of items of property, plant and equipment	**2,103**	11,243
Gain on disposal of associates	**10,776**	–
Loss on disposal of financial assets at amortised cost	**(3,346)**	–
Share of losses of associates	**(2,123)**	(13,859)
Fair value gains of financial assets at fair value through profit of loss	**150,794**	67,583
Loss resulting from derecognition of convertible bonds	**(134,712)**	(159,124)
Donations	**(32,081)**	(47,386)
Foreign exchange differences, net	**4,571**	44,557
Impairment of trade receivables, net	**(22,383)**	(7,152)
Impairment of inventories, net	**(1,645)**	(3,180)
Others	**566**	(9,195)
Total other expenses	**(27,480)**	(116,513)

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	**2023**	2022
		RMB'000	*RMB'000*
Cost of inventories sold		**656,690**	565,756
Depreciation of property, plant and equipment		**334,869**	315,538
Depreciation of right-of-use assets		**20,750**	20,230
Amortisation of intangible assets		**10,762**	8,834
Impairment of trade receivables, net	*10*	**22,383**	7,152
Impairment of inventories, net		**1,645**	3,180
Operating lease expenses		**5,457**	8,651
Auditors' remuneration		**3,730**	3,700
Gain on disposal of items of property, plant and equipment		**(2,103)**	(11,243)
Gain on disposal of associates		**(10,776)**	–
Investment income		**(115,166)**	(22,431)
Share of losses of associates		**2,123**	13,859
Fair value gains of financial assets at fair value through profit or loss		**(150,794)**	(67,583)
Loss resulting from derecognition of convertible bonds		**134,712**	159,124
Bank interest income		**(905,005)**	(309,085)
Foreign exchange differences, net		**(4,571)**	(44,557)
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**1,802,312**	1,744,635
Social welfare and other benefits*		**707,163**	672,419
Share-based payments		**171,365**	179,416
Total		**2,680,840**	2,596,470

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

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% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the Reporting Period. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of each subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 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 Chinese Mainland 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 2023, and was entitled to the preferential tax rate of 15% from 2023 to 2025.

In 2017, Shanghai Hansoh Biomedical Co., Ltd. ("**Shanghai Hansoh**"), a subsidiary of the Company, was initially accredited as an HNTE, and thus entitled to a preferential income tax rate of 15% from 2017 to 2019. Shanghai Hansoh subsequently renewed its HNTE qualification in 2023, and was entitled to the preferential tax rate of 15% from 2023 to 2025.

In 2021, Changzhou Hengbang Pharmaceutical Co., Ltd. ("**Changzhou Hansoh**"), a subsidiary of the Company, was initially accredited as an 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:

	2023	2022
	RMB'000	*RMB'000*
Current income tax	**584,293**	280,772
Deferred income tax	**(95,641)**	83,909
Tax charge for the year	**488,652**	364,681

8. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
2022 Final, Dividends declared – HK$5.00 cents (2021 Final, Dividends declared – HK$9.00 cents) per ordinary share	**268,852**	455,826
2023 Interim, Dividends declared – HK$7.07 cents (2022 Interim, Dividends declared – HK$5.00 cents) per ordinary share	**383,991**	257,439

Pursuant to the resolution of the shareholders of the Company dated 1 June 2023 and the resolution of the board dated 31 August 2023, the Company declared dividends of HK$5.00 cents (2022: HK$9.00 cents) and HK$7.07 cents (2022: HK$5.00 cents) separately per ordinary share, amounting to a total of approximately RMB652,843,000 (2022: RMB713,265,000).

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of RMB3,277,503,000 (2022: RMB2,583,747,000), and the weighted average number of ordinary shares of 5,924,899,050 (2022: 5,915,822,196) in issue during the year, are adjusted to reflect the rights 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 calculations of basic and diluted earnings per share are based on:

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**3,277,503**	2,583,747
Interest on convertible bonds	**175,957**	–
Less: Fair value gain on the derivative component of the convertible bonds	**307,716**	–
Profit attributable to ordinary equity holders of the parent used in the diluted earnings per share calculation	**3,145,744**	2,583,747

	Adjusted number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**5,924,899,050**	5,915,822,196
Effect of dilution – weighted average number of ordinary shares:		
Restricted share units	**20,811,901**	13,661,114
Convertible bonds	**73,939,191**	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**6,019,650,142**	5,929,483,310
Basic earnings per share (RMB per share)	**0.55**	0.44
Diluted earnings per share (RMB per share)	**0.52**	0.44

10. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**3,240,237**	3,542,190
Impairment	**(30,604)**	(8,221)
Net carrying amount	**3,209,633**	3,533,969
Bills receivable	**4,618**	44,423
Total	**3,214,251**	3,578,392

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:

	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**3,032,806**	3,346,334
91 days to 180 days	**25,365**	8,406
Over 180 days	**151,462**	179,229
Total	**3,209,633**	3,533,969

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

	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**4,618**	44,423
Total	**4,618**	44,423

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables and bills receivable. 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:

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**8,221**	1,069
Impairment losses, net *(note 5)*	**22,383**	7,152
At end of year	**30,604**	8,221

11. CASH AND BANK BALANCES

	2023	2022
	RMB'000	*RMB'000*
Cash and bank balances, unrestricted	**2,246,714**	2,464,318
Time deposits with original maturity of less than three months when acquired	**3,733,799**	201,814
Time deposits with original maturity of over three months when acquired *(note (a))*	**16,454,178**	14,949,142
Cash and bank balances	**22,434,691**	17,615,274

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 3.20% to 6.03% (2022: 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

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**121,042**	133,959
Bills payable	**42,721**	88,337
Total	**163,763**	222,296

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:

	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**160,294**	220,947
91 days to 180 days	**950**	–
181 days to 1 year	**554**	–
Over 1 year	**1,965**	1,349
Total	**163,763**	222,296

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

13. OTHER PAYABLES AND ACCRUALS

	2023	2022
	RMB'000	*RMB'000*
Accrued expenses	**1,546,526**	1,597,138
Staff payroll, welfare and bonus payables	**281,236**	267,430
Payables for purchase of items of property, plant and equipment	**62,442**	85,385
Other tax payables	**141,551**	60,131
Other payables	**343,925**	255,547
Total	**2,375,680**	2,265,631

14. SHARE CAPITAL

	2023	2022
	RMB	*RMB*
Issued and fully paid:		
5,933,350,070 shares of HK$0.00001 each (31 December 2022: 5,922,350,070 shares of HK$0.00001 each)	**52,265**	52,169

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

	Number of shares in issue	**Share capital** *RMB*
At January 1 2023	**5,922,350,070**	52,169
Issue of shares pursuant to the Group's Restricted Share Unit Scheme (the "**RSU Scheme**") adopted on May 27, 2019, HK$0.00001 each *(note (a))*	**11,000,000**	96
At December 31 2023	**5,933,350,070**	52,265

Note:

(a) On 21 April 2023, the Company issued 11,000,000 new ordinary shares to Computershare Hong Kong Trustees Limited (the "**Trustee**") pursuant to the terms of the RSU Scheme approved and adopted on 27 May 2019, with the exercise price of HK$2.60 per restricted share for exercising on 29 April 2023.

EVENTS AFTER THE REPORTING PERIOD

In January 2024, the Group's self-developed Category 1 innovative drug HS-10509 tablets and Category 1 oral small molecule innovative drug HS-10501 tablets, have both been granted a clinical trial notice issued by the NMPA, and are intended to be used for the treatment of schizophrenia and type 2 diabetes and obesity in adults respectively, with specific indications to be determined after the clinical trial.

In February 2024, HS-10398 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 immunoglobulin A nephropathy and membranous nephropathy, with the specific indications to be determined after the clinical trials.

On January 22, 2024, the Company redeemed the outstanding convertible bonds in the aggregate principal amount of US$590,622,000 pursuant to the terms and conditions of zero coupon convertible bonds due 2026 (the "**Convertible Bonds**") and bondholders' notice of redemption, representing approximately 99.10% in principal amount of the Convertible Bonds outstanding as at that date. The Convertible Bonds in the principal amount of US$5,378,000 remain outstanding.

On March 14, 2024, the Group entered into a license agreement with Biotheus, pursuant to which the Group obtained an exclusive license from Biotheus to use HS-20117 (license-in as PM1080) for the development, production, and commercialization of bispecific antibody-drug conjugate product on a global basis, with the right to sublicense.

Save as disclosed above, there is no material event affecting the Company during the period from December 31, 2023 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 C1 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 as set out in Part 2 of 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 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 C3 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, 2023. 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, 2023, 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 HK$14.22 cents per share for the year ended December 31, 2023 (2022: HK$5 cents). Subject to the approval of the shareholders of the Company ("**Shareholders**") at the forthcoming annual general meeting of the Company ("**AGM**"), the proposed final dividend will be payable on Wednesday, July 17, 2024 to Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, June 25, 2024, being the record date. Together with an interim dividend of HK$7.07 cents per share, the full-year dividend for 2023 amounted to HK$21.29 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 Friday, June 21, 2024 to Tuesday, June 25, 2024, 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 Thursday, June 20, 2024.

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$934.17 million was utilized as at December 31, 2023 and HK$2,543.03 million remains unutilized. As at December 31, 2023, the net proceeds utilized by the Group were as follows:

Purpose	Percentage of the total amount	Net proceeds (HK$100 million)	Utilized from the issuance date to December 31, 2023 (HK$100 million)	Unutilized as at December 31, 2023 (HK$100 million)	Expected time frame
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	100%	34.7720	9.3417	25.4303	The balance is expected to be fully utilized by 2030

The net proceeds were used, and the remaining proceeds will be used, according to the purpose previously disclosed by the Company. To the best knowledge of the Directors, there has neither been any material change nor delay in the use of proceeds during the year ended December 31, 2023.

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 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, including but not limited to allocating funding to clinical trials for innovative drugs, innovative drugs development and/or in-license opportunities, upgrading and expanding existing manufacturing facilities and procuring equipment for its production facilities and for general corporate purposes. In December 2022, the Company repurchased bonds with an aggregate principal amount of US$4 million. As at December 31, 2023, US$591.65 million was utilized and the net proceeds had been fully utilized. As at December 31, 2023, the net proceeds utilized by the Group were as follows:

Purpose	Percentage of the total amount	Net proceeds (US$100 million)	Utilized from the issuance date to December 31, 2023 (US$100 million)	Repurchased from the issuance date to December 31, 2023 (US$100 million)	Unutilized as at December 31, 2023 (US$100 million)	Expected time frame
R&D expenditure, including but not limited to allocating funding to clinical trials for innovative drugs, innovative drugs development and/or in-license opportunities	65%	3.8717	3.8317	0.0400	–	Not applicable
Upgrading and expanding existing manufacturing facilities (including R&D facilities) and procuring equipment for its production facilities	25%	1.4891	1.4891	–	–	Not applicable
General corporate purposes	10%	0.5957	0.5957	–	–	Not applicable
Total	100%	5.9565	5.9165	0.0400	–	

The net proceeds were used according to the purpose previously disclosed by the Company. To the best knowledge of the Directors, there has neither been any material change nor delay in the use of proceeds during the year ended December 31, 2023.

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, 2023 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 available on the same websites in due course.

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

Hong Kong, March 26, 2024

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*