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, 2020

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, 2020, together with the comparative figures for the last year.

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

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2020, the Group recorded the following audited results:

- Revenue was approximately RMB8,690 million, representing an increase of approximately 0.1% compared with the year ended December 31, 2019;
- R&D expenditure was approximately RMB1,252 million, representing an increase of approximately 11.7% compared with the year ended December 31, 2019, and accounted for approximately 14.4% of the revenue;
- Net profit was approximately RMB2,569 million, representing an increase of approximately 0.5% compared with the year ended December 31, 2019;
- Earnings per share was approximately RMB0.44, representing a decrease of approximately 6.3% compared with the year ended December 31, 2019;
- Sales of new products[(Note 1)] accounted for approximately 23.7% of the Group's revenue; sales of new products accounted for approximately 6.1% of the Group's revenue for the year ended December 31, 2019.

The Board recommends a final dividend of RMB6.51 cents (equivalent to HK$7.71 cents) per share for the year ended December 31, 2020, subject to the approval of the shareholders at the AGM.

Note 1: Innovative drugs and products launched within three years.

CORPORATE OVERVIEW

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

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

The core driving force of the Company is its focus on innovation. The Company has continuously increased its investments in research and development ("**R&D**") over the years, established sound R&D platforms and mastered a number of proprietary technologies. It has successfully launched and developed a series of innovative drugs and first-to-market generic drugs. During the year under review, the Company successfully launched 10 new drugs in total in both PRC and overseas, including self-developed innovative drugs, Ameile (almonertinib mesylate tablets) and Olanzapine Oral Fast Dissolving Films, and 3 first-to-market generic drugs. The Company has newly filed and obtained 18 clinical approvals, and filed 23 applications for marketing approvals, including self-developed innovative drugs, tenofovir amibufenamide tablet, and an in-licensing innovative biologics inebilizumab.

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

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

Main products

Oncology drugs:	Ameile (almonertinib mesylate tablets), Hansoh Xinfu (flumatinib mesylate tablets), Pulaile (pemetrexed disodium for injection), Zefei (gemcitabine hydro chloride for injection), Xinwei (imatinib mesylate tablets), Xinmei (decitabine for injection), Xintai (bortezomib for injection), Tanneng (fosaprepitant dimeglumine for injection), Afatinib Dimaleate Tablets and Sunitinib Malate Capsules
CNS disease drugs:	Oulanning (olanzapine tablets; olanzapine oral fast dissolving films; olanzapine orally disintegrating tablets), Ameining (agomelatine tablets), Ailanning (paliperidone extended-release tablets)
Anti-infective drug:	Mailingda (morinidazole sodium chloride injection), Zetan (tigecycline for injection), Hengjie (linezolid glucose injection/tablets) and Hengsen (micafungin sodium for injection)
Others:	Fulaimei (polyethylene glycol loxenatide for injection), Fulaidi (repaglinide tablets), Fulairui (canagliflozin tablets), Ruibote (rabeprazole sodium enteric-coated tablets), Zexin (apixaban tablets), Ruiyisheng (prucalopride succinate tablets), Empagliflozin Tablets and Saxagliptin Tablets

In March 2020, Ameile (almonertinib mesylate tablets), a Category 1 innovative drug self-developed by the Company, was obtained the marketing approval in China and is indicated for the treatment of patients with locally advanced or metastatic non-small cell lung cancer (NSCLC) with T790M mutation, who have progressed on or after EGFR-TKI therapy.

In July 2020, the Company's patent inventions regarding morinidazole and tigecycline were awarded with the "Outstanding Award for Patent in the PRC" (中國專利優秀獎) and "Silver Award for Patents in the PRC" (中國專利銀獎) by the State Intellectual Property of China (中國知識產權局), respectively.

In August 2020, the Company was awarded with "R&D-driven Pharmaceutical Companies in China" (中國醫藥研發產品線最佳工業企業) by the China National Pharmaceutical Industry Information Center (中國醫藥工業信息中心).

In August 2020, the Company was named as an enterprise with Excellence in Performing Social Responsibilities Among Chinese Pharmaceutical Enterprises (中國醫藥企業社會責任優秀) by the China National Pharmaceutical Industry Information Center (中國醫藥工業信息中心).

In October 2020, the Company was awarded with the "Green Supply Chain Management Enterprise Award" (綠色供應鏈管理企業) by the Ministry of Industry and Information Technology of China (中國工業和信息化部).

In November 2020, our "R&D and industrialization project of the National Category 1 innovative drug long acting PEG-loxenatide for injection" was awarded with the Honor Award of the China Industrial Award (中國工業大獎表彰獎) by China Federation of Industrial Economics (中國工業經濟聯合會).

In December 2020, almonertinib mesylate tablets, flumatinib mesylate tablets, PEG-loxenatide for injection, all being Category 1 innovative drugs of the Company, are included in 2020 National Reimbursement Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance Catalogue (國家基本醫療保險、工傷保險和生育保險藥品目錄(2020 年)).

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

Since the beginning of the year, despite the steep challenges presented to the economy of China brought by the COVID-19 pandemic, with the strict preventive and control measures implemented by the Chinese government, resumption of work and production had been orderly commenced. The pandemic situation across the nation had continued to improve since March and the economy had steadily recovered, resulting a resilient growth of the major economic indicators. Along with the significant reduction in the inpatient diagnosis activities during the first half of the year due to the pandemic, the development of the pharmaceutical market had also been affected. At the same time, due to the tightened preventive and control measures adopted by the public and proactive community mask wearing, coupled with the more stringent infection controls implemented within hospitals, the hospital operations gradually recovered in the second half of the year. The sustained implementation of the medical reform policies continued to promote healthy development trends of the pharmaceutical industry. Consistency evaluation and centralized tendering of drugs across the nation enhanced the products quality within industry, accelerated the popularity of generic drugs as an alternative to the branded ones. The annual update of the National Reimbursement Drug List results became systematic and enabled quick inclusion of a large number of innovative drugs, accelerating the commercialization of innovative drugs. At the same time, the aging of the population and upgrade of consumption promote the rigid growth of healthcare needs. Therefore, the growth of pharmaceutical industry will continue to outperform the trend of macroeconomic.

Business Review

During the year under review, drug species including Cefzon (Cefdinir Capsules) and Zexin (apixaban tablets) are selected for the group purchasing organization. The Company actively responded to the national medical reform policy through reducing expenditure and increasing commercial efficiency. In respect of our existing advantageous areas, the Company strengthened academic promotion team, in particular, to launch online academic activities, to expand new channels for Internet sales, so as to ensure the achievement of sales performance targets, minimizing the impact of the pandemic to the least possible level. After the launch of Ameile (almonertinib mesylate tablets), Hansoh Xinfu (flumatinib mesylate tablets) and Fulaimei (PEG-loxenatide for injection), the Company has continued to strengthen its professional academic promotion team. The existing clinical data and clinical experience of the Company have been highly recognized by clinical experts. Meanwhile, the Company cooperated with professional institutions to carry out post-marketing clinical research programs and accumulate more sufficient clinic-based evidence. The Company will subsequently organize and optimize the patients' disease course management. The three innovative drugs mentioned above are included in the National Reimbursement Drug List after negotiations in 2020, which is a process accelerating commercialization of innovative drugs.

In early 2020, the Company actively donated supplies and funds to affected areas through charitable organizations after the outbreak of COVID-19, so as to help combat the pandemic. Meanwhile, the Company took scientific countermeasures to resume work as usual to ensure the progress of each business segment such as production, R&D and operation. The impact by the pandemic on product promotion of the Company was under control accordingly.

For the year ended December 31, 2020, the Group recorded revenue of approximately RMB8,690 million during the year under review, representing an increase of approximately 0.1% compared with the previous year; net profit of approximately RMB2,569 million, representing an increase of approximately 0.5% compared with the previous year; and earnings per share of approximately RMB0.44, representing a decrease of approximately 6.3% compared with the previous year.

Focusing on innovation is the core driver of the Company's development. Our R&D entered the harvest stage as the Company continued to increase its investment in R&D every year. During the year under review, one innovative drug was approved for marketing, two innovative drugs filed marketing applications, and other 9 new drugs were approved for marketing in both PRC and overseas.

In March 2020, "almonertinib mesylate tablets" (brand name "**Ameile**" (阿美樂®)), a Category 1 innovative drug has been granted drug marketing approval by the National Medical Products Administration of the PRC ("**NMPA**"), and is indicated for treatment of patients with locally advanced or metastatic non-small cell lung cancer (NSCLC) with T790M mutation, who have progressed on or after EGFR-tyrosine kinase inhibitor (TKI) therapy. In the same month, "icatibant injections", which is indicated for the treatment of an acute attack of hereditary angioedema in adults, was approved by the U.S. FDA.

In May 2020, our Category 1 innovative drugs "HS-10356 tablets" and "HS-10352 tablets" and our Category 2 innovative biological drug "HS-20090 injection" were granted clinical trial approval issued by the NMPA. Furthermore, "sunitinib malate capsules" has been granted drug marketing approval by the NMPA and is indicated for the treatment of (i) inoperable advanced renal cell carcinoma (RCC); (ii) gastrointestinal stromal tumors (GIST) that could not be cured by or cannot tolerate imatinib mesylate therapy; and (iii) unresectable and metastatic advanced pancreatic neuroendocrine tumors (pNET).

In June 2020, our Category 1 innovative drug, "HS-10353 capsules", was granted a clinical trial approval issued by the NMPA. In the same month, we have obtained the drug marketing approval from the NMPA for (1) "Afatinib Dimaleate Tablets", which is indicated for (i) patients with locally advanced metastatic NSCLC whose tumors have sensitive epidermal growth factor receptor (EGFR) mutations, who have not yet received EGFR-TKI treatment; and (ii) treatment of patients with locally advanced or late stage metastatic, squamous NSCLC receiving or progressing after platinum-based chemotherapy; (2) "Paliperidone extended-release tablets", which is indicated for treatment of schizophrenia for adults and adolescents aged 12-17 (body weight ≥29 kg); and (3) "Olanzapine Orally Disintegrating Tablets", which is indicated for (i) treatment of schizophrenia; (ii) maintenance treatment for patients with effective initial treatment of olanzapine, which can effectively maintain improvement in clinical symptoms; (iii) treatment of moderate-to-severe manic episode; and (iv) recurrence prevention of bipolar disorder for manic episodes with effective initial treatment of olanzapine. We believe the obtaining of drug marketing approval of the above products will further enrich and improve the product pipeline of the Group.

In July 2020, our "Empagliflozin Tablets" has been granted drug marketing approval by the NMPA. The product is a sodium-glucose co-transporter 2 (SGLT2) inhibitor indicated as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus, providing a better medical option for diabetes patients in China.

In October 2020, "Saxagliptin Tablets" has been granted drug approval by the NMPA. This product is a dipeptidyl peptidase 4, (DPP-4) inhibitor indicated as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus. The Company believes that the obtaining of drug registration approvals of the above products will further enrich and improve the products pipeline of the Group.

In November 2020, our Category 2.2 innovative drug "Olanzapine Oral Fast Dissolving Films" has been granted drug marketing approval by the NMPA. This product is an atypical antipsychotic agent indicated for treatment of (1) schizophrenia; (2) manic episodes of bipolar disorder. The obtaining of drug marketing approval of the product will further enrich and improve the central nervous system (CNS) pipeline of the Group.

The construction of R&D center and the manufacturing site in Changzhou have been completed and put into operation while construction of phase II manufacturing site for biological drugs has commenced successfully.

Revenue

We generate substantially all of our revenue from sales of pharmaceutical products. Most of our main products are in the oncology, CNS diseases, anti-infectives, metabolism and other main therapeutic areas we strategically target. The proportion of new product sales revenue to the Group's total revenue increased from 6.1% in 2019 to approximately 23.7% in 2020.

Oncology products

In respect of oncology products, we primarily focus on drugs for the treatment of solid tumors with high incidence such as lung cancer and breast cancer, as well as hematological cancer. Our oncology drug portfolio mainly consists of Ameile (almonertinib mesylate tablets), a Category 1 innovative drug, which was newly launched in 2020, Hansoh Xinfu (flumatinib mesylate tablets) which was newly launched in 2019, Pulaile (pemetrexed disodium for injection), Zefei (gemcitabine hydrochloride for injection), Xinwei (imatinib mesylate tablets), Xinmei (decitabine for injection), Xintai (bortezomib for injection) and Tanneng (fosaprepitant dimeglumine for injection). For the year ended December 31, 2020, revenue from our oncology drug portfolio amounted to approximately RMB4,000 million, accounting for approximately 46.0% of our total revenue.

Ameile (almonertinib mesylate tablets) is the first innovative drug for the third-generation EGFR-TKI developed in China, indicating for the treatment of patients with locally advanced or metastatic non-small cell lung cancer with T790M mutation, who have progressed on or after EGFR-TKI therapy. In addition to its favorable safety profile, Ameile's median progression free survival (mPFS) is over one year, which is the longest mPFS among same class drugs at the moment. Since its launch, Ameile has been widely prescribed in clinical practices, bringing new hope to lung cancer patients in China. Ameile has been included in the Guidelines of Chinese Society of Clinical Oncology for the treatment of Non-small Cell Lung Cancer in 2020 (《2020 年 CSCO 非小細胞肺癌診療指南》) due to its efficacy and safety which were highly recognized by clinical experts. Ameile is included in the National Reimbursement Drug List after negotiations in 2020.

Hansoh Xinfu (flumatinib mesylate tablets) is the second-generation targeting Bcr-Abl TKI, indicating for the treatment of chronic myelogenous leukemia. Based on the results of existing clinical trials, its efficacy is better than that of imatinib. Further, no pleural effusion or cardiotoxicity which incurred in the use of other second-generation Bcr-Abl TKI and its safety is more favorable. Since its launch, patients have benefited significantly and growing patient are treated with long-term application. 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)). Xinwei is the first-to-market generic of imatinib, which is indicated for the targeted treatment of, among others, Philadelphia chromosome-positive chronic myelogenous leukemia, acute lymphocytic leukemia and gastrointestinal stromal tumors. Unlike chemotherapy, imatinib is typically prescribed for long-term use. In May 2018, Xinwei became the first imatinib mesylate tablets to pass the consistency evaluation. Hansoh Xinfu is included in the National Reimbursement Drug List after negotiations in 2020.

Pulaile is the first-to-market generic of pemetrexed, which is indicated for the treatment of non-small cell lung cancer and malignant pleural mesothelioma, and is the first-line chemotherapy. Pulaile obtained the Japanese Pharmaceuticals and Medical Devices Agency (PMDA) certification in 2016 and obtained U.S. FDA certification in 2019. Zefei is the first-to-market generic of gemcitabine, which is indicated for the treatment of middle and late-stage non-small cell lung cancer, breast cancer, and pancreatic cancer, and is the first-line chemotherapy. In 2013, Zefei obtained U.S. FDA certification. In 2013, Zefei won the second prize for the Advancement of Science and Technology Award (國家科技進步二等獎). Since its launch in 2001, Zefei has taken a leading position in the gemcitabine market and increased penetration into county markets through our professional academic promotion and active expansion of its scope of clinical application.

Anti-infective products

Our anti-infective drug portfolio mainly consists of, among others, Mailingda (morinidazole sodium chloride for injection), Zetan (tigecycline for injection), Hengjie (linezolid glucose for injection) and Hengsen (micafungin sodium for injection). The Company mainly focuses on drug-resistant bacteria products as the clinical needs of these products are increasing. Meanwhile, the Company maintains rational drug use as the guiding direction for academic activities of anti-infective drugs, to promote the regulated clinical use of anti-infective drugs. For the year ended December 31, 2020, revenue from our anti-infective drug portfolio amounted to approximately RMB1,794 million, accounting for approximately 20.7% of our total revenue.

Mailingda is our first self-developed innovative drug, and is also the latest generation of nitroimidazole-class drug indicated for treatment of pelvic inflammation, gangrenous appendicitis and suppurative appendicitis caused by certain bacteria in adults. It has a better safety profile than the previous generation of typical drug named ornidazole. Mailingda is recommended in the treatment of intra-abdominal infection in the Chinese Guideline for the Diagnosis and Management 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 National Healthcare Security Administration was renewed successfully in November 2019 through negotiation.

CNS disease products

Our CNS disease drug portfolio mainly consists of, among others, Oulanning (olanzapine tablets; olanzapine oral fast dissolving films; olanzapine orally disintegrating tablets) and Ameining (agomelatine tablets). For the year ended December 31, 2020, revenue from our CNS disease drug portfolio amounted to approximately RMB1,333 million, accounting for approximately 15.3% of our total revenue.

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

Ameining is a first-to-market generic drug of agomelatine tablets and launched in 2014. It is applicable to confirmed case of depression and the only generic drug of agomelatine tablets currently approved for sale in China. During the year under review, the revenue from Ameining recorded a remarkable growth.

Metabolism and other main therapeutic products, diabetes and main therapeutic products

Our drug portfolio of this segment mainly consists of Fulaimei (PEG-loxenatide for injection), Fulaidi (repaglinide tablets), Fulairui (canagliflozin tablets), Ruibote (rabeprazole sodium enteric-coated tablets), Zexin (apixaban tablets) and Ruiyisheng (prucalopride succinate tablets). For the year ended December 31, 2020, revenue from the drug portfolio in relation to the abovementioned areas amounted to approximately RMB1,563 million, accounting for approximately 18.0% of our total revenue.

Fulaimei (PEG-loxenatide for injection) is our self-developed innovative diabetes drug. With significant hypoglycemic efficacy and good safety, it requires only once weekly administration, providing a new treatment choice to diabetes patients in China. Fulaimei is also the first innovative drug launched by using our proprietary PEGylation technology. Fulaimei is included in the National Reimbursement Drug List after negotiations in 2020.

Research and Development

We have one of the largest R&D teams among pharmaceutical companies in China. Our dedicated professional R&D team consists of over 1,600 researchers at three centres in Shanghai, Lianyungang and Changzhou 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).

We focus on R&D of innovative products in the fields such as oncology, anti-infectives, CNS diseases and diabetes. At present, we have more than a hundred research projects, including 4 innovative drugs entering into the phase II and post-phase II phases of clinical development, and 23 projects which are for the development of bioequivalency (BE) (including the applications for marketing approval). During the year under review, the Company has newly filed and obtained 18 clinical approvals, and obtained 10 drugs marketing approvals, out of which are 2 innovative drugs and 3 first-to-market generic drugs. All generics newly obtaining marketing approval have been deemed passing the consistency evaluation.

Ameile, a self-developed innovative and the first domestic third generation EGFR-TKI developed in the PRC, has obtained the marketing approval in 2020. It is indicated for treatment of patients with locally advanced or metastatic NSCLC with T790M mutation, who have progressed after previous EGFR-TKI therapy. Ameile has demonstrated favourable efficacy and safety, in addition to its efficacy for patients with brain metastasis. The Company is also actively exploring the development of several new indications for Ameile. Of which, the first-line treatment for patients with locally advanced or metastatic EGFR-mutated non-small cell lung cancer ("**NSCLC**") in the Phase 3 Study was reached positive top line result in February 2021. More than three pivotal studies have been approved for clinical studies in 2020.

Tenofovir amibufenamide tablet, a self-developed innovative drug, has been filed a New Drug Application (NDA) and accepted by the NMPA in September 2020 with priority review designation. This drug is used for the treatment of chronic hepatitis B, with improvements in the efficacy while significantly reducing toxic side effect as compared with its previous generation of drug Tenofovir (TDF).

The in-licensing biologics "Inebilizumab Injections", jointly developed and commercialized in China by our Group and Viela Bio, Inc. in China has been filed Biologics License Application (BLA) and accepted by the NMPA in October 2020. This product is a new treatment of neuromyelitis optical spectrum disorder and was approved by the U.S. FDA in June 2020.

For the year ended December 31, 2020, R&D expenditure was RMB1,252 million, representing an increase of 11.7% as compared with 2019.

Business Development

In addition to investment in R&D internally, the Group also actively sought external innovation through in-licensing and acquisition opportunities in order to enrich our product pipelines.

In April 2020, we collaborated with NiKang Therapeutics to introduce preclinical antiviral infective innovative drug project through in-licensing. The project is expected to improve the Company's presence in anti-infective area in Greater China.

In July 2020, we collaborated with Terns Pharmaceuticals to in-license its pre-clinical high-potency allosteric Bcr-Abl inhibitor project through in-licensing. The project is expected to be developed into a new generation of drugs for CML and the Company's presence in oncology area in Greater China will be enhanced accordingly.

At the same time, in order to strengthen the influence of the Company's products, in July 2020, we have entered into a strategic collaboration and license agreement with EQRx, INC. ("**EQRx**") to grant an exclusive license to permit EQRx to research, develop, manufacture and commercialize Almonertinib outside China. With EQRx's exceptional leadership team and extensive experiences in clinical development in the area of oncology therapeutics, it is expected that EQRx is well-positioned to accelerate the clinical development of Almonertinib outside of the PRC, and, if approved for marketing, will bring Almonertinib to benefit cancer patients around the world.

Liquidity and Financial Resources

For the year ended December 31, 2020, the Group's operating activities generated a net cash inflow of approximately RMB2,390 million. The capital expenditure for the year was RMB627 million, mainly relating to the construction, purchase of additional land, buildings and workshops, and the purchase of equipment, motor vehicles and software required for production, R&D and administrative activities. The Group's cash flow of financing activities for the year mainly consisted of the receivables upon the placing of new shares of approximately RMB3.172 billion and the payment of RMB4.20 billion for our undistributed dividends declared before the Listing.

The Group's financial position remains sound. As at December 31, 2020, we had cash and bank balances of RMB4,285 million (as at December 31, 2019: RMB8,238 million), financial assets at fair value through profit or loss of RMB200 million (as at December 31, 2019: RMB2,772 million), and other financial assets of RMB9,233 million (as at December 31, 2019: RMB3,583 million). As at December 31, 2020, our financial assets at fair value through profit or loss and other financial assets primarily comprise of investments in financial products issued by commercial banks. Our purchase of financial products after the Listing does not constitute notifiable transactions of the Company under the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). As at December 31, 2020, the Group's gearing ratio (calculated as total liabilities divided by total assets) was approximately 14.0% (as at December 31, 2019: 33.4%).

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

Pledge of Group Assets

As at December 31, 2020, none of the Group's assets was subject to any encumbrance, mortgage, lien, charge or pledge.

Contingent Liabilities

As at December 31, 2020, the Group had no material contingent liabilities.

Significant Investments Held

During the year ended December 31, 2020, we did not have any significant investments.

Future Plans for Material Investments and Capital Assets

As at December 31, 2020, the Group did not have any plans for material investments and capital assets.

Material Acquisitions and Disposals

During the year ended December 31, 2020, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

Employees and Emoluments Policy

As at December 31, 2020, the Group had a total of 11,645 full-time employees, whose remuneration is determined based on their performance and experience as well as the prevailing market salary level.

The staff costs, including remuneration of the directors of the Company, social welfare and other benefits, were approximately RMB1,806 million for the year ended December 31, 2020. We also provide regular training to employees designed to strengthen staff commitment to us and improve staff knowledge in a number of important areas of our services, such as knowledge about the Company and our products as well as sales, laws and regulations applicable to our operation, requirements under applicable GMP or other certifications, quality control, production safety and corporate culture.

We have conditionally approved and adopted a scheme for the grant of restricted share units ("**RSU Scheme**") on May 27, 2019 to recognize contributions by selected participants and give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. For details of the RSU Scheme, please refer to the prospectus of the Company dated May 31, 2019. As at December 31, 2020, 8,873,900 restricted share units had been granted by the Company pursuant to the RSU Scheme.

Prospects

In 2020, despite the impact brought by the sudden outbreak of the COVID-19 pandemic to the socio-economic development of China, the socio-economic activities had resumed as usual with the effective management and control measures imposed by the Chinese government, with the society stepping into the stage of normalization amid the pandemic. The healthcare awareness among the public had been further increased instead due to the pandemic, leading to an increasingly considerable healthcare demand in China. The continuous and further implementation of the national medical reform secured the new policies address such as the medical insurance system, pharmaceutical management system and consistency evaluation of drugs, bringing significant challenges and opportunities to the development of the entire pharmaceutical industry. Facing the brand new changes in the policy environment and market circumstances, as well as the impact of the pandemic, the Company had actively responded with a firm and accelerated pace of innovation, with an aim to achieve comprehensive transformation and upgrade. With the approval and inclusion in the drug list under medical insurance of Ameile (almonertinib mesylate tablets), Fulaimei (PEG-loxenatide for injection), Hansoh Xinfu (flumatinib mesylate tablets), the three Category 1 innovative drugs, the Company's innovation transformation entered into the harvesting stage and its comprehensive competitiveness was further strengthened. With the enhanced innovation capability, the Company believes that it will drive the Company's sustainable, stable and healthy growth by further enriching the product portfolio pipeline, maintaining high level of product quality, securing stable production and relying on its excellent commercialization capability.

Acknowledgements

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the year ended December 31, 2020 RMB'000	2019 RMB'000
REVENUE	5	**8,690,234**	8,682,746
Cost of sales		**(801,561)**	(729,540)
Gross profit		**7,888,673**	7,953,206
Other income	5	**220,637**	221,219
Selling and distribution expenses		**(3,103,018)**	(3,266,380)
Administrative expenses		**(758,641)**	(777,692)
Research and development costs		**(1,252,246)**	(1,120,681)
Other gains/(expenses), net	5	**102,894**	(8,747)
PROFIT BEFORE TAX	6	**3,098,299**	3,000,925
Income tax expense	7	**(529,392)**	(444,183)
PROFIT FOR THE YEAR		**2,568,907**	2,556,742
Attributable to:			
Owners of the parent		**2,568,907**	2,556,742
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT FOR THE PERIOD			
Basic (RMB)	8	**0.44**	0.47
Diluted (RMB)	8	**0.44**	0.47

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
PROFIT OF THE YEAR	**2,568,907**	2,556,742
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(978,194)**	185,286
Net other comprehensive income that may be reclassified to profit or loss in subsequent	**(978,194)**	185,286
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(978,194)**	185,286
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,590,713**	2,742,028
Attributable to:		
Owners of the parent	**1,590,713**	2,742,028

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at December 31, 2020 ***RMB'000***	2019 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,039,329**	1,740,832
Right-of-use assets		**264,489**	187,100
Intangible assets		**9,893**	4,568
Financial assets at fair value through profit or loss		**28,389**	–
Prepayments for purchase of property, plant and equipment		**1,163,971**	194,706
Total non-current assets		**3,506,071**	2,127,206
CURRENT ASSETS			
Inventories		**298,727**	414,348
Trade and bills receivables	*9*	**3,127,460**	2,245,959
Prepayments, other receivables and other assets		**142,098**	193,772
Financial assets at fair value through profit or loss		**200,000**	2,772,040
Other financial assets		**9,232,734**	3,583,457
Cash and bank balances	*10*	**4,284,970**	8,238,422
Total current assets		**17,285,989**	17,447,998
CURRENT LIABILITIES			
Trade and bills payables	*11*	**124,382**	192,850
Other payables and accruals	*12*	**2,347,033**	1,762,676
Contract liabilities		**195,688**	40,469
Lease liabilities		**11,039**	3,653
Tax payable		**11,397**	40,684
Dividends payable		**–**	4,200,000
Total current liabilities		**2,689,539**	6,240,332
NET CURRENT ASSETS		**14,596,450**	11,207,666
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,102,521**	13,334,872

	Notes	As at December 31, 2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		**81,710**	5,783
Deferred tax liabilities		**121,810**	284,767
Other non-current liabilities		**23,403**	–
Total non-current liabilities		**226,923**	290,550
NET ASSETS		**17,875,598**	13,044,322
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**52**	51
Reserves		**17,875,546**	13,044,271
		17,875,598	13,044,322
Non-controlling interests		–	–
Total equity		**17,875,598**	13,044,322

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

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

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

2. BASIS OF PREPARATION

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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any significant impact on the financial position and performance of the Group.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3.2 ISSUED BUT NOT YET EFFECTIVE HKFRSS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

These new and revised HKFRSs are not expected to have any significant impact on the Group's financial statements.

4. OPERATING SEGMENT INFORMATION

Information about geographical areas

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND OTHER (GAINS)/EXPENSES, NET

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

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of goods – at a point in time	**8,621,808**	8,682,746
Collaboration revenue – at a point in time	**68,426**	–
	8,690,234	8,682,746
Other income		
Investment income	**71,879**	25,871
Government grants	**55,322**	33,520
Bank interest income	**92,037**	153,582
Others	**1,399**	8,246
	220,637	221,219
Other gains/(expenses), net		
Loss on disposal of items of property, plant and equipment	**(39)**	(1,291)
Fair value gains of financial assets at fair value through profit or loss	**88,909**	23,113
Donations	**(48,804)**	(38,661)
Foreign exchange gains, net	**63,370**	9,947
Impairment of trade receivables, net	**309**	1,003
Impairment of inventories, net	**(1,850)**	(7,989)
Interest expense on lease liabilities	**(1,645)**	(123)
Others	**2,644**	5,254
	102,894	(8,747)

6. PROFIT BEFORE TAX

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

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
Cost of inventories sold		**562,083**	444,566
Depreciation of property, plant and equipment		**216,350**	183,675
Depreciation of right-of-use assets		**11,880**	5,886
Amortisation of intangible assets		**5,044**	11,993
Impairment of trade receivables, net	*9*	**(309)**	(1,003)
Impairment of inventories, net		**1,850**	7,989
Operating lease expenses		**26,020**	7,881
Auditors' remuneration		**3,760**	5,660
Loss on disposal of items of property, plant and equipment		**39**	1,291
Investment income		**(71,879)**	(25,871)
Fair value gains of financial assets at fair value through profit or loss		**(88,909)**	(23,113)
Bank interest income		**(92,037)**	(153,582)
Foreign exchange gains, net		**(63,370)**	(9,947)
Employee benefit expense:			
Wages and salaries		**1,420,705**	1,239,317
Social welfare and other benefits		**317,175**	326,634
Share-based payments		**68,590**	–
		1,806,470	1,565,951

7. INCOME TAX

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

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

The subsidiary incorporated in Hong Kong and subsidiaries registered as a Hong Kong tax resident are subject to income tax at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the reporting period.

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

In 2014, Jiangsu Hansoh Pharmaceutical Group Co., Ltd. ("**Jiangsu Hansoh**"), the subsidiary of the Company, was accredited as a "High and New Technology Enterprise" ("**HNTE**") and was entitled to a preferential income tax rate of 15% for a period of three years from 2014 to 2016. Jiangsu Hansoh subsequently renewed its HNTE qualification in 2017 and 2020, and was entitled to the preferential tax rate of 15% from 2020 to 2022.

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

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

	2020	2019
	RMB'000	*RMB'000*
Current income tax	**692,349**	402,104
Deferred income tax	**(162,957)**	42,079
Tax charge for the year	**529,392**	444,183

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the parent of RMB2,568,907,000 (2019: RMB2,556,742,000), and the weighted average number of ordinary shares of 5,876,243,659 (2019: 5,477,489,291) 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. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of restricted share units expected to be unlocked in the future.

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

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**2,568,907**	2,556,742

	Adjusted number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**5,876,243,659**	5,477,489,291
Effect of dilution – weighted average number of ordinary shares:		
Restricted shares	**1,835,071**	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**5,878,078,730**	5,477,489,291
Basic earnings per share (RMB per share)	**0.44**	0.47
Diluted earnings per share (RMB per share)	**0.44**	0.47

9. TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**2,744,236**	1,551,688
Impairment	**(462)**	(1,011)
	2,743,774	1,550,677
Bills receivable	**383,686**	695,282
	3,127,460	2,245,959

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

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

	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**2,731,791**	1,517,015
91 days to 180 days	**11,213**	33,619
Over 180 days	**770**	43
	2,743,774	1,550,677

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

	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**297,847**	405,607
91 days to 180 days	**85,839**	289,675
Over 180 days	**–**	–
	383,686	695,282

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

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

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**1,011**	5,870
Impairment losses, net *(note 6)*	**(309)**	(1,003)
Amount written-off as uncollectible	**(240)**	(3,856)
At end of year	**462**	1,011

10. CASH AND BANK BALANCES

	2020	2019
	RMB'000	*RMB'000*
Cash and bank balances, unrestricted	**1,514,473**	3,411,166
Time deposits with original maturity of less than three months when acquired	**1,548,843**	1,933,693
Time deposits with original maturity of over three months when acquired *(note (a))*	**1,221,654**	2,893,563
Cash and bank balances	**4,284,970**	8,238,422

Note:

(a) The above investments represent time deposits with initial terms of over three months when acquired (including three months) issued by commercial banks with annual return rates ranging from 1.35% to 4.13%. None of these investments are either past due or impaired. None of these deposits are pledged.

11. TRADE AND BILLS PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**67,520**	88,432
Bills payable	**56,862**	104,418
	124,382	192,850

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

	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**122,932**	139,094
91 days to 180 days	**594**	52,965
181 days to 1 year	**98**	151
Over 1 year	**758**	640
	124,382	192,850

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

12. OTHER PAYABLES AND ACCRUALS

	2020	2019
	RMB'000	*RMB'000*
Accrued expenses	**1,437,440**	1,009,471
Staff payroll, welfare and bonus payables	**331,266**	385,345
Payables for purchase of items of property, plant and equipment	**92,023**	73,059
Other tax payables	**108,406**	63,875
Other payables	**377,898**	230,926
	2,347,033	1,762,676

13. SHARE CAPITAL

	2020	2019
	RMB	*RMB*
Issued and fully paid: 5,918,991,200 shares of HK$0.00001 each (31 December 2019: 5,788,611,200 shares of HK$0.00001 each)	**52,140**	50,951

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

	Number of shares in issue	**Share capital** *RMB*
At 1 January 2020	5,788,611,200	50,951
Private placement – issue of shares of HK$0.00001 each *(Note (a))*	130,380,000	1,189
At 31 December 2020	5,918,991,200	52,140

Note:

(a) Pursuant to the placing agreement dated 22 April 2020, 130,380,000 shares of the Company have been successfully placed on 29 April 2020 at the price of HK$26.75 per share, representing a discount of approximately 10.54% to the closing market price of the Company's ordinary shares on the immediate preceding business day before the completion date. The net proceeds from the placing amounted to HK$3,477,202,000 (equivalent to approximately RMB3,171,973,000).

EVENTS AFTER THE REPORTING PERIOD

After December 31, 2020, the following material events have occurred to the Company:

In January 2021, the Company successfully completed the issuance and listing of US$600 million zero-coupon convertible bonds without bearing interest due in 2026 to the professional investors only (the "**Bonds**"). The Bonds may be converted into conversion shares pursuant to the terms and conditions of the Bonds (the "**Conversion Shares**"). Assuming full conversion of the Bonds at the initial conversion price of HK$60.00 per Share and no further issue of Shares, the Bonds will be convertible into 77,529,000 Shares, representing approximately 1.31% of the issued share capital of the Company as at January 8, 2021 and approximately 1.29% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Bonds. The Conversion Shares to be issued upon conversion of the Bonds will rank pari passu and carry the same rights and privileges in all respects with the Shares then in issue on the relevant registration date.

In February 2021, Hansoh (Shanghai) Health Technology Co., Ltd. (翰森(上海)健康科技有限公司) and Jiangsu Hansoh Pharmaceutical Group Company Ltd. (江蘇豪森藥業集團有限公司) (collectively, the "**Licensees**"), each a wholly-owned subsidiary of the Company, have entered into an exclusive license and collaboration agreement (the "**Licensing Agreement**") with SCYNEXIS, Inc. (NASDAQ: SCYX) ("**SCYNEXIS**"). Pursuant to the Licensing Agreement, the Licensees would obtain an exclusive license from SCYNEXIS to research, develop and commercialize ibrexafungerp in the People's Republic of China (including Hong Kong, Macau and Taiwan). The product is currently under U.S. regulatory review for the treatment of vaginal yeast infections. If approved, the product could be the first new antifungal class in over 20 years, as well as the first and only non-azole treatment for vaginal yeast infections. The Company is of the view that that the cooperation with SCYNEXIS will strengthen the Group's leading position in the anti-infective therapeutic area, as well as the global business expansion of the Group. Within the same month, "Ameile" (阿美樂®) met its primary end point as first-line treatment for patients with locally advanced or metastatic EGFR-mutated non-small cell lung cancer (NSCLC) in the Phase 3 Study.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Board is of the view that the Company has complied with all the code provisions as set out in the CG Code during the year ended December 31, 2020, save for code provisions A.2.1 and A.5.1 of the CG Code.

Code Provision A.2.1

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

Code Provision A.5.1

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions of the Company by Directors (the "**Company Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Specific enquiry has been made to all Directors and all of them have confirmed that they have complied with the Company Code during the year ended December 31, 2020.

AUDIT COMMITTEE

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

The Audit Committee and the external auditor have reviewed the audited results of the Group for the year ended December 31, 2020. 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, 2020, 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 RMB6.51 cents (equivalent to HK$7.71 cents) per share for the year ended December 31, 2020 (2019: nil). 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 July 5, 2021 to shareholders whose names appear on the register of members of the Company on June 11, 2021.

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 9, 2021 to Friday, June 11, 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, June 8, 2021.

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$56.67 million was utilized as at December 31, 2020 and HK$3.41953 billion remains unutilized. The balance is expected to be fully utilized by 2030.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the initial public offering of the shares of the Company in June 2019 and allotment and issuance of shares pursuant to the full exercise of the over-allotment option in July 2019 amounted to approximately HK$8.798 billion. The proposed use of the net proceeds was disclosed in the Company's prospectus dated May 31, 2019. As at December 31, 2020, the net proceeds utilized was approximately HK$5.539 billion and the remaining net proceeds was approximately HK$3.259 billion. The Company intends to continue to utilize the remaining net proceeds in the future for the purposes as set out in the prospectus. As at December 31, 2020, the net proceeds utilized by the Group were as follows:

Purpose	Percentage of the total amount	Net proceeds received (HK$100 million)	Utilized from the Listing Date to December 31, 2020 (HK$100 million)	Unutilized as at December 31, 2020 (HK$100 million)	Expected time frame
R&D programs, expanding our R&D team and investment in technologies	45%	39.59	17.98	21.61	The balance is expected to be fully utilized by 2025
Manufacturing system to construct new production lines and further automate existing production facilities	25%	21.99	11.01	10.98	The balance is expected to be fully utilized by 2023
Enhancement of sales and academic promotion	20%	17.60	17.60	0	Not applicable
Working capital and other general purposes	10%	8.80	8.80	0	Not applicable
Total	100%	87.98	55.39	32.59	

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.hspharm.com**). The annual report for the year ended December 31, 2020 and the notice of the AGM setting out, among others, proposed date of the AGM and the book closure period and the record date of the entitlement of the attendance of the AGM will be dispatched to the shareholders of the Company and available on the same websites in due course.

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

Hong Kong, March 30, 2021

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