翰森製藥
HANSOH PHARMA

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 Report

2021

Contents

Corporate Overview

The Group is one of the leading R&D and innovation-driven pharmaceutical companies in the PRC, devoting itself to meet the unmet clinical needs of patients and improve the health and well-being of human beings through continuing innovation.

The Group has established a leading position in some of the largest and fastest-growing therapeutic areas in the PRC with significant unmet clinical needs, including CNS diseases, oncology, anti-infectives and metabolic diseases.

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

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

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

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

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

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

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

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

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

On June 14, 2019, the shares of the Company were successfully listed on the Main Board of the Stock Exchange, creating a milestone for the Group and laying a solid foundation for our future development.

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

In November 2019, Hansoh Xinfu (flumatinib mesylate), a Category 1 innovative drug self-developed by the Group, obtained the approval for marketing in China and is indicated for the treatment of chronic myelogenous leukemia.

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

In July 2020, the Group'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 China National Intellectual Property Administration (中國國家知識產權局), respectively.

In August 2020, Jiangsu Hansoh 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, Jiangsu Hansoh 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, Jiangsu Hansoh 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, the Group's "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, aumolertinib mesylate tablets, flumatinib mesylate tablets and PEG-loxenatide for injection, all being Category 1 innovative drugs of the Group, are included in the NRDL (2020).

Corporate Overview

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

In June 2021, the Group's Category 1 innovative drug, Hengmu (tenofovir amibufenamide tablets), was granted drug registration approval by the NMPA.

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

In August 2021, Jiangsu Hansoh was honored as China's Best Industrial Enterprises in Pharmaceutical R&D Pipeline* (中國醫藥研發產品線最佳工業企業) by China National Pharmaceutical Industry Information Center (中國醫藥工業信息中心).

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

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

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

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Zhong Huijuan (鍾慧娟)
(Chairlady and Chief Executive Officer)
Mr. Lyu Aifeng (呂愛鋒)
Miss Sun Yuan (孫遠)

Non-executive Director

Ms. Ma Cuifang (馬翠芳)[1]

Independent Non-executive Directors

Mr. Lin Guoqiang (林國強)
Mr. Chan Charles Sheung Wai (陳尚偉)
Ms. Yang Dongtao (楊東濤)

AUDIT COMMITTEE

Mr. Chan Charles Sheung Wai (陳尚偉) *(Chairman)*
Mr. Lin Guoqiang (林國強)
Ms. Yang Dongtao (楊東濤)

REMUNERATION COMMITTEE

Ms. Yang Dongtao (楊東濤) *(Chairlady)*
Ms. Zhong Huijuan (鍾慧娟)
Mr. Lin Guoqiang (林國強)

STRATEGY AND DEVELOPMENT COMMITTEE

Ms. Zhong Huijuan (鍾慧娟) *(Chairlady)*
Mr. Lyu Aifeng (呂愛鋒)
Mr. Chan Charles Sheung Wai (陳尚偉)
Ms. Yang Dongtao (楊東濤)

ESG COMMITTEE[2]

Mr. Lyu Aifeng (呂愛鋒) *(Chairman)*
Ms. Yang Dongtao (楊東濤)
Mr. Chan Charles Sheung Wai (陳尚偉)

NOMINATION COMMITTEE[3]

Ms. Zhong Huijuan (鍾慧娟) *(Chairlady)*
Mr. Lin Guoqiang (林國強)
Mr. Chan Charles Sheung Wai (陳尚偉)

JOINT COMPANY SECRETARIES

Ms. Zhong Shengli (鍾勝利)
Ms. Li Yan Wing Rita (李昕穎)

AUTHORISED REPRESENTATIVES

Miss Sun Yuan (孫遠)
Ms. Li Yan Wing Rita (李昕穎)

STOCK CODE

Ordinary Shares
The Stock Exchange of Hong Kong Limited
Stock Code: 3692

Convertible Bonds
US$600,000,000 zero-coupon convertible bonds due in 2026 issued on January 22, 2021
The Stock Exchange of Hong Kong Limited
Convertible Bonds Code: 40546

1 Ms. Ma Cuifang resigned as a non-executive Director of the Company on September 6, 2021
2 The ESG Committee was established on June 28, 2021
3 The Nomination Committee was established on December 23, 2021

Corporate Information

REGISTERED OFFICE IN THE CAYMAN ISLANDS

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

287 Xiangke Road
Pudong New District
Shanghai, 201210
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

PRINCIPAL BANK

Lianyungang Branch of the Bank of Communications
No.45 Huanghe Road
Economic & Technical Development Zone
Lianyungang
Jiangsu
The People's Republic of China

HONG KONG LEGAL ADVISOR

Cleary Gottlieb Steen & Hamilton (Hong Kong)
37/F, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE

www.hspharm.com

Financial Highlights

RESULTS

	2021	2020	2019	2018	2017
	RMB' 000	*RMB' 000*	*RMB' 000*	*RMB' 000*	*RMB' 000*
REVENUE	**9,935,141**	8,690,234	8,682,746	7,722,278	6,185,537
Cost of sales	**(870,042)**	(801,561)	(729,540)	(603,100)	(455,171)
Gross profit	**9,065,099**	7,888,673	7,953,206	7,119,178	5,730,366
Other income	**393,188**	220,637	221,219	77,953	93,230
Selling and distribution expenses	**(3,427,818)**	(3,103,018)	(3,266,380)	(3,208,680)	(2,704,200)
Administrative expenses	**(943,423)**	(758,641)	(777,692)	(790,158)	(614,075)
Research and development costs	**(1,797,012)**	(1,252,246)	(1,120,681)	(881,288)	(575,544)
Other gains/(expenses), net	**62,866**	102,894	(8,747)	(7,680)	3,014
Finance cost	**(52,818)**	–	–	–	–
PROFIT BEFORE TAX	**3,300,082**	3,098,299	3,000,925	2,309,325	1,932,791
Income tax expense	**(587,180)**	(529,392)	(444,183)	(406,277)	(337,318)
PROFIT FOR THE YEAR	**2,712,902**	2,568,907	2,556,742	1,903,048	1,595,473

ASSETS AND LIABILITIES

			At December 31,		
	2021	2020	2019	2018	2017
	RMB' 000	*RMB' 000*	*RMB' 000*	*RMB' 000*	*RMB' 000*
Total assets	**27,160,171**	20,792,060	19,575,204	8,414,371	5,874,048
Total liabilities	**7,131,326**	2,916,462	6,530,882	5,946,473	1,355,358
Total equity	**20,028,845**	17,875,598	13,044,322	2,467,898	4,518,690

Chairlady's Statement

In 2021, China's pharmaceutical demand improved steadily, as the medical reform become more in-depth, innovation and R&D was in the ascendant, and the pharmaceutical industry entered an era of "fast cycle". During 2021, the Group also began to reap the benefits from its continuous implementation of the innovation and transformation strategy, which facilitated our positive progress in independent R&D and innovation, as well as global strategic cooperation.

During the Reporting Period, the proportion of innovative drugs sales revenue increased to 42.3% from 18.0% for 2021. As at the end of the Reporting Period, the Group obtained marketing approval in China for 5 Category 1 self-developed innovative drugs, which were all included in the NRDL. Among which, the approval of the innovative drug Ameile (aumolertinib mesylate tablets) for the first-line treatment of NSCLC as a new indication was obtained during the Reporting Period. In March 2021, Hengmu (tenofovir amibufenamide tablets) was approved and included in the NRDL in the same year, and hence, became the fastest drug of the Group to enter the NRDL after obtaining marketing approval.

In 2021, we continued to pay close attention to frontier technology in the global pharmaceutical industry and in-licensed two clinical-stage products, including one with a novel mechanism of action, which was approved for marketing in the United States and received Phase III clinical trial approval in China. The Group also established various platform collaborations, including two RNA interference-based platform collaborations through which the Group greatly diversified the innovative drug product pipeline and boosted innovation capabilities.

In recent years, we have been placing a high value on ESG management and enhancement. In 2021, the Board established the ESG Committee for the ongoing optimization of ESG management and performance, so as to gain recognition from the capital market for our ESG work and transform the Company into a sustainable enterprise. In its latest ESG rating report released in 2021, MSCI upgraded our rating from BBB to A.

In December 2021, we held a grand opening for the global operation headquarter and R&D center situated in the core area of Zhangjiang Hi-tech Park in Shanghai and embarked on a new journey of medical innovation and globalization. We believe the focus on innovation is the core driving force for pharmaceutical enterprises. Adhering to the dual engine strategy driven by both internal R&D and external BD collaboration, we will further diversify the product pipeline, optimise the product mix and increase the proportion of revenue contributed by our innovative drug products on a continuous basis, thereby introducing more and better innovative products to patients around the world.

I hereby would like to express my sincere gratitude to our Shareholders, members of the Board, the management of our Group, all our staff, as well as our business partners.

Ms. Zhong Huijuan
Chairlady and Chief Executive Officer

Management Discussion and Analysis

INDUSTRY REVIEW

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

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

BUSINESS HIGHLIGHTS

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

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

BUSINESS HIGHLIGHTS *(Continued)*

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

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

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

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

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

Management Discussion and Analysis

INNOVATIVE DRUG PRODUCTS

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

Ameile

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

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

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

Hansoh Xinfu

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

INNOVATIVE DRUG PRODUCTS *(Continued)*

Mailingda

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

Fulaimei

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

Hengmu

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

R&D AND INNOVATION

The Group has one of the largest R&D teams among pharmaceutical companies in China. Our professional R&D team consists of about 1,650 research fellows at four R&D centres in Shanghai, Lianyungang and Changzhou, as well as the United States respectively. We have several national-level R&D designations, including the National Technology Center* (國家級技術中心), Post-doctoral Research Station* (博士後科研工作站) and Key National Laboratory* (國家重點實驗室). Furthermore, in December 2021, the Group held a grand opening for its global operation headquarter and R&D center situated in the core area of Zhangjiang Hi-tech Park in Shanghai, and embarked on a new journey of medical innovation and globalization at full steam.

R&D AND INNOVATION *(Continued)*

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

Marketing approval for innovative drugs

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

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

Application for marketing of innovative drugs

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

Clinical approvals newly filed and obtained for innovative drugs

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

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

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

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

R&D AND INNOVATION *(Continued)*

Clinical approvals newly filed and obtained for innovative drugs *(Continued)*

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

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

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

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

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

BD

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

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

BD *(Continued)*

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

Collaboration with SCYNEXIS

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

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

Collaboration with Keros

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

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

Collaboration with Olix Pharmaceuticals

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

Collaboration with Silence Therapeutics

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

BD *(Continued)*

Co-founded Blossom Biosciences with Cormorant Asset Management

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

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group's financial position remains sound. As at December 31, 2021, we had cash and bank balances of RMB14,702 million (as at December 31, 2020: RMB4,285 million), financial assets at fair value through profit or loss of RMB2,357 million (as at December 31, 2020: RMB200 million), other financial assets of RMB1,874 million (as at December 31, 2020: RMB9,233 million). As at December 31, 2021, our financial assets at fair value through profit or loss and other financial assets primarily comprise of investments in financial products issued by commercial banks. The Group's purchase of financial products after the Listing does not constitute notifiable transactions of the Company under the Listing Rules. As at December 31, 2021, the Group's gearing ratio (calculated as total liabilities divided by total assets) was approximately 26.3% (as at December 31, 2020: 14.0%).

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

PLEDGE OF GROUP ASSETS

As at December 31, 2021, none of the Group's assets was subject to any encumbrance, mortgage, lien, charge or pledge.

CONTINGENT LIABILITIES

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

SIGNIFICANT INVESTMENTS HELD

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

Management Discussion and Analysis

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

EMPLOYEES AND EMOLUMENTS POLICY

As at December 31, 2021, the Group had a total of 12,150 full-time employees, whose remuneration is determined based on their performance and experience as well as the prevailing market salary level.

The staff costs, including remuneration of the executive Directors, social welfare and other benefits, were approximately RMB2,370 million for the year ended December 31, 2021. We also provide regular training to employees designed to strengthen staff commitment to us and improve staff knowledge in a number of important areas of our services, such as knowledge about the Company and our products as well as sales, laws and regulations applicable to our operation, requirements under applicable GMP or other certifications, quality control, production safety and corporate culture.

The Company has conditionally approved and adopted the RSU Scheme on May 27, 2019 to recognize contributions by selected participants and give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. For details of the RSU Scheme, please refer to the section headed "Statutory and General Information – D. Post-IPO RSU Scheme" in Appendix IV to the Prospectus. As at December 31, 2021, 17,542,000 restricted share units had been granted by the Company pursuant to the RSU Scheme.

PROSPECTS

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

Corporate Governance Report

The Board is pleased to present the Company's Corporate Governance Report for the Reporting Period.

A. CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance that properly protects and promotes the interests of all Shareholders and enhances corporate value and accountability.

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

The Company has complied with all applicable code provisions in effect during 2021 under the Corporate Governance Code during the Reporting Period, save for code provision A.2.1 (which has been renumbered as code provision C.2.1 since January 1, 2022) as disclosed in this report.

On January 1, 2022, the amendments to the Corporate Governance Code came into effect and the requirements under the new Corporate Governance Code will apply to corporate governance reports for financial year commencing on or after January 1, 2022. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the new Corporate Governance Code.

B. BOARD OF DIRECTORS

Board of Directors

The businesses of the Company are managed and conducted by the Board. The Board is responsible for leading and controlling the Group, promoting the success of the Company by guiding and overseeing the affairs of the Group, and making decisions objectively in the best interests of the Company.

The Board will regularly review the contribution required from a Director to perform his/her responsibilities to the Group, and whether the Director is spending sufficient time performing them. Each Director should also disclose to the Company in a timely manner for any change, the number and nature of offices held in public companies or organizations and other significant commitments.

To oversee particular aspects of the Company's affairs, the Board has established five Board committees, including the Audit Committee, the Remuneration Committee, the Strategy and Development Committee, the ESG Committee and the Nomination Committee. The Board has delegated to the Board committees the responsibilities as set out in their respective terms of reference.

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against its Directors, and will conduct annual review on such insurance coverage.

B. BOARD OF DIRECTORS *(Continued)*

Board Composition

As at December 31, 2021, the Board comprised three executive Directors (including the Chairlady and Chief Executive Officer) and three independent non-executive Directors.

Position	Name
Executive Directors	Ms. Zhong Huijuan *(Chairlady and Chief Executive Officer)* Mr. Lyu Aifeng Miss Sun Yuan
Independent Non-executive Directors	Mr. Lin Guoqiang Mr. Chan Charles Sheung Wai Ms. Yang Dongtao

Notes:

(1) Mr. Lyu Aifeng, Ms. Ma Cuifang and Mr. Lin Guoqiang were re-elected as executive Director, non-executive Director and independent non-executive Director, respectively, by the Shareholders at the annual general meeting held on June 3, 2021.

(2) Ms. Ma Cuifang resigned as a non-executive Director on September 6, 2021.

The biographical details of Directors and the relations of Board members are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

Independent Non-executive Directors

The Board has complied with the requirements of the Listing Rules at any time during the Reporting Period. The Company has appointed three independent non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive Directors represent over one-third of the Board.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision of the Corporate Governance Code so as to ensure the establishment of sound corporate governance practices and procedures by the Company. During the Reporting Period, the Board has:

(1) considered, formulated and reviewed the Company's policies and practices on corporate governance;

(2) reviewed and monitored the training and continuous professional development of Directors and senior management;

B. BOARD OF DIRECTORS *(Continued)*

Corporate Governance Functions *(Continued)*

(3) reviewed and monitored the Company's policies and practices in compliance with legal and regulatory requirements as required under the applicable requirements of the Listing Rules;

(4) reviewed and monitored the Company's own code of conduct regarding securities transactions of the Company by Directors and relevant employees (the "**Company Code**"); and

(5) reviewed the Company's compliance with the Corporate Governance Code and relevant disclosure.

Responsibilities of the Board and the Management

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Group are delegated to the management.

Chairlady and Chief Executive Officer

Code provision A.2.1 of the Corporate Governance Code (which has been renumbered as code provision C.2.1 since January 1, 2022) 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 structure 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.

Re-election of Directors

Pursuant to the Corporate Governance Code, non-executive Directors shall be appointed for a specific term, subject to re-election and all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Articles of Association, one third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and any Director appointed by the Board or elected by the Shareholders to fill a casual vacancy or as an addition to the Board shall hold office until the next general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

The Company has entered into a service contract with each of the executive Directors for a term of three years and an appointment letter with each of the independent non-executive Directors for a term of three years. Directors are subject to retirement by rotation and re-election pursuant to the Articles of Association and the Listing Rules.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment/re-election and succession planning of Directors.

B. BOARD OF DIRECTORS *(Continued)*

Training and Continuous Professional Development

Directors

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment, in order to make sure that he/she has appropriate understanding of the business and operations of the Company and is fully aware of his/her duties and responsibilities as a Director under the Listing Rules and other relevant statutory requirements.

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the Reporting Period, the Company arranged internal briefings for Directors and sent reading material on relevant topics to Directors for their reference and studying, including reading materials in relation to legal and regulatory updates. Internal training sessions were also arranged for the Directors, which covered topics including but not limited to new regulations and practices related to ESG, and the amendments of the Listing Rules.

Directors	Type(s) of Training[Note]
Executive Directors	
Ms. Zhong Huijuan	A and B
Mr. Lyu Aifeng	A and B
Miss Sun Yuan	A and B
Non-executive Director	
Ms. Ma Cuifang (resigned on September 6, 2021)	B
Independent Non-executive Directors	
Mr. Lin Guoqiang	A and B
Mr. Chan Charles Sheung Wai	A and B
Ms. Yang Dongtao	A and B

Note：

Types of Training
A：Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
B：Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Joint Company Secretaries

The Company Secretaries are responsible for facilitating the Board operation, as well as communications among the Board members, Shareholders and management. Ms. Zhong Shengli, together with Ms. Li Yan Wing Rita of Tricor Services Limited, which is an external service provider specializing in integrated business, corporate and investor services, have been engaged by the Company as its joint company secretaries. The biographical information of Ms. Zhong Shengli and Ms. Li Yan Wing Rita is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. Ms. Zhong Shengli and Ms. Li Yan Wing Rita have confirmed that they have taken not less than 15 hours of relevant professional training during the Reporting Period in compliance with Rule 3.29 of the Listing Rules. The primary contact person at the Company is Ms. Zhong Shengli.

B. BOARD OF DIRECTORS *(Continued)*

Board Committees

As at December 31, 2021, the Board has established the following committees: Audit Committee, Remuneration Committee, Strategy and Development Committee, ESG Committee and Nomination Committee. These committees operate in accordance with their respective terms of reference established by the Board. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and of the Stock Exchange and are available to Shareholders upon request. The majority of the members of each Board committee (except the Strategy and Development Committee) are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" of this annual report.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely, Mr. Chan Charles Sheung Wai (chairman of the Audit Committee) ("**Mr Chan**"), Mr. Lin Guoqiang ("**Mr Lin**") and Ms. Yang Dongtao ("**Ms Yang**").

The major duties of the Audit Committee are set out clearly in its terms of reference, which primarily include assisting the Board in reviewing the financial information and reporting system, risk management and internal control system, relationship with external auditors, and reviewing arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee also performs the responsibilities as set out in the Corporate Governance Code.

The consolidated financial statements of the Group for the year ended December 31, 2021 have been reviewed by the Audit Committee and the external auditor. The Audit Committee is of the view that the consolidated financial statements of the Group for the year ended December 31, 2021 comply with the applicable accounting standards and the Listing Rules, and that sufficient disclosures have been made.

During the Reporting Period, the Audit Committee held four meetings (including two meetings with the external auditors of the Company) to review the Group's audited consolidated financial statements for the year ended December 31, 2020 as well as the effectiveness of the Company's internal audit function and any recommendations on the management and control of internal risks and to review the unaudited consolidated financial statements for the six months ended June 30, 2021. All members of the Audit Committee attended the meetings of the Audit Committee.

Remuneration Committee

The Remuneration Committee consists of three members: two independent non-executive Directors, namely, Ms. Yang (chairlady of the Remuneration Committee) and Mr. Lin, and one executive Director, namely, Ms. Zhong.

The primary duties of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and non-executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

B. BOARD OF DIRECTORS *(Continued)*

Remuneration Committee *(Continued)*

During the Reporting Period, the Remuneration Committee held two meetings to consider and recommend to the Board the remuneration and other benefits paid by the Company to the Directors and senior management and grant of RSUs pursuant to the RSU Scheme. All members of the Remuneration Committee attended the meeting of the Remuneration Committee. The emoluments of Directors are determined by reference to the skills, experiences, responsibilities, employment conditions and time commitment in the Group's affairs and performance of each Director as well as salaries paid by comparable companies and the prevailing market conditions.

Strategy and Development Committee

The Strategy and Development Committee consists of four members: two executive Directors, namely, Ms. Zhong (chairlady of the Strategy and Development Committee) and Mr. Lyu Aifeng ("**Mr. Lyu**"), and two independent non-executive Directors, namely, Mr. Chan and Ms. Yang.

The primary duties of the Strategy and Development Committee include conducting research and making suggestions for the medium-to-long-term development strategy and development plans of the Group, considering the annual operation plans and investment proposals of the Group, as well as conducting research and making suggestions for any expansion to new markets, launch of new business and R&D of new products of the Group.

During the Reporting Period, the Strategy and Development Committee held one meeting to evaluate the development of the Group in 2021 and consider the future development strategies and plans, including but not limited to, the discussion about major investments, financing, reorganization, and plans for expansion to new markets, launch of new business and development of new products. All members of the Strategy and Development Committee attended the meeting of the Strategy and Development Committee.

ESG Committee

On June 28, 2021, the Company established the ESG Committee and formulated its written terms of reference. The ESG Committee consists of three members: one executive Director, namely Mr. Lyu (chairman of the ESG Committee), and two independent non-executive Directors, namely Mr. Chan and Ms. Yang.

The primary duties of the ESG Committee include guiding and formulating the Group's ESG vision, objectives, strategy and structure to ensure the meeting of the Group's needs and compliance with applicable laws, regulations, regulatory requirements and international standards; supervising the development and implementation of the Group's ESG vision, strategy and structure; guiding and reviewing the identification and prioritising of key ESG issues of the Group; reviewing major ESG trends and related risks and opportunities; assessing the adequacy and effectiveness of the Group's ESG structure accordingly; formulating relevant policies to effectively promote the relationship between the Group and its stakeholders and to protect the reputation of the Group; reviewing the Company's ESG reports and other ESG related disclosures and making recommendations to the Board, etc.

B. BOARD OF DIRECTORS *(Continued)*

ESG Committee *(Continued)*

During the Reporting Period, the ESG Committee held one meeting to review ESG enhancement initiatives and consider work plans, review and identify the material ESG issues of the Group and their priorities, identify risks relating to climate change, formulate countermeasures etc. All members of the ESG Committee attended meeting of the ESG Committee.

Nomination Committee

On December 23, 2021, the Company established the Nomination Committee and formulated its written terms of reference. The Nomination Committee consists of three members: one executive Director, namely Ms. Zhong (chairlady of the Nomination Committee), and two independent non-executive Directors, namely Mr. Lin and Mr. Chan.

The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board (including skills, knowledge and experience of Directors), identifying individuals suitably qualified to become members of the Board, selecting or making recommendations to the Board on nominations, appointment or re-appointment of Directors and succession planning for Directors, and assessing the independence of independent non-executive Directors.

The Nomination Committee had not held any meeting during the Reporting Period since it was newly established on December 23, 2021.

Director Nomination Policy

The Company has adopted a director nomination policy which aims to render clear basis and procedures for the nomination and appointment of Directors. The Board will take into account factors such as character and integrity, qualifications, skills, experience, independence and diversity of the candidates, and whether or not the candidate is willing and able to devote adequate time to discharge duties as a member of the Board and Board committee upon receipt of the proposal of appointment of new Directors or the nomination proposal made by Shareholders at general meetings of the Company. When Directors are re-elected at general meetings of the Company, apart from the above standards, the Board will also review the overall contributions and services of retiring Directors to the Company and their level of participation and performance in the Board.

Nomination committee is responsible for reviewing the director nomination policy to ensure its effectiveness.

Board Diversity Policy

The Company has adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance its effectiveness. Pursuant to the Board Diversity Policy, the Board seeks to achieve its diversity through the consideration of a number of factors when selecting candidates to the Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service.

B. BOARD OF DIRECTORS *(Continued)*

Board Diversity Policy *(Continued)*

The Directors have a mix of knowledge and skills of, including, management, strategic development, business development, sales, R&D, industry research, investment management, finance, corporate finance, risk management, education, chemistry and the pharmaceutical industry. They obtained degrees in various areas including chemistry, organic chemistry, biomedical engineering, biomedical sciences, management, business administration, commerce, engineering, economics and corporate management. The age of Directors ranges from 35 years old to 79 years old.

Nomination committee is responsible for reviewing the Board Diversity Policy, monitoring the implementation of the Board Diversity Policy and reviewing the Board Diversity Policy from time to time to ensure its continued effectiveness. As at December 31, 2021, the Board comprises 6 Directors, of which 50% of them are female and 50% of them are male. Having reviewed the Board Diversity Policy and the Board's composition, the Nomination Committee considered that the requirements of the Board Diversity Policy had been met and therefore, no measurable objective for the implementation of the Board Diversity Policy is required to be set. However, from time to time, the Nomination Committee will monitor the Board's composition and consider setting measurable objectives and reviewing such objectives to ensure their appropriateness and ascertain the progress made towards achieving Board diversity.

As at December 31, 2021, the full-time employees of the Group (including senior management) comprise about 65.5% male and 34.5% female.

Attendance of Board Meetings and Committee Meetings

Pursuant to the Corporate Governance Code, board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, the Board has held five meetings.

Pursuant to the Corporate Governance Code, the chairman of the Board should at least annually hold meetings with independent non-executive Directors without the presence of other Directors. During the Reporting Period, the chairlady of the Board has held one meeting with independent non-executive Directors in compliance with the Corporate Governance Code.

Details of the attendance of each Director at the Board meetings, committee meetings and general meeting during the Reporting Period are set out below:

Number of meetings attended/Number of meetings held during the term of office of Directors

Directors	Board	Audit Committee	Remuneration Committee	Strategy and Development Committee	ESG Committee	Nomination Committee[2]	General Meeting
Executive Directors							
Ms. Zhong Huijuan	5/5	–	2/2	1/1	–	0/0	1/1
Mr. Lyu Aifeng	5/5	–	–	1/1	1/1	–	1/1
Miss Sun Yuan	5/5	–	–	–	–	–	1/1
Non-executive Director							
Ms. Ma Cuifang[1]	4/4	–	–	–	–	–	0/1
Independent Non-executive Directors							
Mr. Lin Guoqiang	5/5	4/4	2/2	–	–	0/0	1/1
Mr. Chan Charles Sheung Wai	5/5	4/4	–	1/1	1/1	0/0	1/1
Ms. Yang Dongtao	5/5	4/4	2/2	1/1	1/1	–	1/1

Notes:

(1) On September 6, 2021, Ms. Ma Cuifang resigned as a non-executive Director.

(2) The Nomination Committee was established on December 23, 2021.

B. BOARD OF DIRECTORS *(Continued)*

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted 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 for the Reporting Period.

No incident of non-compliance of the Company Code by the employees was noted by the Company.

Remuneration of Senior Management

There were 5 employees classified as senior management for the year ended December 31, 2021. The remuneration of the senior management by band is set out below:

	Number of employee(s)
Below RMB500,000	0
RMB500,000 to RMB1,000,000	0
RMB1,000,001 to RMB1,500,000	0
Above RMB1,500,000	5
	5

C. ACCOUNTABILITY AND AUDIT

Directors' Responsibility in respect of the Financial Statements

The Board acknowledges its responsibility for preparing the accounts which seek to give a true and fair view of the state of affairs of the Company and the Group, with necessary supporting assumptions or qualifications. The Directors also ensure the timely publication of the financial statements of the Company.

The management provides explanation and information to the Board to enable it to make an informed assessment of the financial and other information to be approved.

The Board endeavors to ensure a balanced, clear and understandable assessment of the Company's position and prospects when the Company presents financial reports and other information to general public and regulators pursuant to the Listing Rules and other statutory requirements.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board continues to prepare the financial statements on a going concern basis.

C. ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control

The Group is dedicated to establishing and maintaining a robust internal control system. The Group has adopted and implemented risk management policies in various aspects of our business operations to address various potential risks in relation to our strategic plan, R&D, infrastructure, procurement, manufacturing, distribution and retail. Our risk management system also covers general finance management, human resources, information technology, projects, logistics, subsidiaries and policy matters.

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failing in achieving our business objectives, and can only provide a reasonable and not absolute assurance against material misstatement or loss.

The Group has established a three-layer organizational framework (business departments, functional departments and internal control and audit department) to identify, analyze, categorize, control, and monitor various risks relating to the Group's strategy, operation, market development, financial matters, legal matters, investment and financing, information security, anti-bribery and anti-money laundering. For risk identified, the Group promptly implements internal controls and continually optimizes related processes to mitigate potential risk.

Please refer to "Business-Production and Quality Control-Risk Management" in the Prospectus for details of risk management policies.

The internal audit department of the Company examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee. The Directors have conducted an annual review of the effectiveness of the risk management and internal control system of the Group during the year ended December 31, 2021, covering all major functions including finance, operation and compliance. Based on the review results, the Directors are of the opinion that the system is effective and sufficient.

The Company has also adopted an information disclosure policy which has set out comprehensive guidelines in respect of handling and dissemination of inside information. The Board has established an inside information team entrusted with the responsibility for monitoring and implementing the procedural requirements in the information disclosure policy. Release of inside information shall be led by the Board. Unless duly authorized, all staff members of the Company shall not disseminate inside information relating to the Group to any external parties and shall not respond to false media report or market speculation which may materially affect the trading price or volume of the securities.

C. ACCOUNTABILITY AND AUDIT *(Continued)*

Auditor and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in this annual report on pages 47 to 51.

During the Reporting Period, the remuneration paid to the external auditor of the Group, being Ernst & Young, is set out as follows:

Service Category	Fee Paid/Payable for the Reporting Period *(RMB' 000)*
Audit services	3,100
Non-audit services	
– ESG reports	500
– Engineering settlement	220
Total	3,820

D. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company has adopted the shareholder communication policy with an aim to ensure that the Shareholders of the Company and as and when appropriate, the general investors to have timely access to the same and readily comprehensible comprehensive information about the Company.

The Company has reviewed the implementation and effectiveness of the above shareholder communication policy during the Reporting Period and is satisfied that the policy has been implemented effectively, having considered the availability of multiple channels of communication and engagement in place below.

The Company conveys the information to the Shareholders and investors mainly through the following channels:

- the website of the Stock Exchange on which the information disclosed to the market and submitted to the Stock Exchange is published;
- the website of the Company (**www.hspharm.com**);
- the interim reports and annual reports; and
- the annual general meetings and other general meetings.

To facilitate the exchange of views between the Shareholders and the Board, the chairlady of the Board and chairman/chairlady of the Board committees (or their delegates (if applicable)), appropriate executive management personnel and the external auditor will attend the annual general meetings and answer the questions raised by the Shareholders.

D. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS *(Continued)*

Rights of Shareholders

Pursuant to Article 12.3 of the Articles of Association, any two or more members holding not less than one-tenth of the paid-up capital of the Company and carrying the right of voting at general meetings of the Company, or any one member which is a recognized clearing house (or its nominee(s)) shall be entitled to require the convening of a general meeting with a written requisition deposited at the principal office of the Company in Hong Kong and specifying the objects of the meeting and signed by the requisitionist. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

Shareholders may also contact the Investor Relations Department of the Company from time to time to understand the information published by the Company. The Company will inform the Shareholders of the designated e-mail address and enquiry hotline of the Company so that they can make any inquiries of the Company.

Enquiry to the Board

Enquiry may be made to the Board at the principal place of business of the Company in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Company publishes on its website (**www.hspharm.com**) the latest company news relating to the Group. The public is welcome to provide opinions and make inquiries through the Company's website.

Amendments to the Constitutional Documents

No changes have been made to the Articles of Association by the Company during the Reporting Period. The latest version of Articles of Association is also available on the websites of the Company and the Stock Exchange.

DIVIDEND POLICY

The Company has adopted a dividend policy pursuant to the Corporate Governance Code. The Board may declare and pay dividends by way of cash or by other means that the Board considers appropriate. While deciding on the declaration or payment of any dividends and the amount of any dividends, the Board will take into account, among other things, the Company's results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits, contractual and legal restrictions and other factors that the Directors may consider relevant.

Directors' Report

The Board is pleased to submit this report and audited consolidated financial statements of the Group for the year ended December 31, 2021.

PRINCIPAL BUSINESS

The Company is an investment holding company. The Group is principally engaged in the R&D, manufacture and sales of a series of pharmaceutical products in China. The shares of the Company were listed on the Main Board of the Stock Exchange on June 14, 2019.

Operating segment information of the Company for the Reporting Period is presented in Note 4 to the consolidated financial statements, and a list of principal subsidiaries of the Company, together with the details of their places of incorporation, principal businesses and shares in issue/registered capital, is set out in Note 1 to the consolidated financial statements. There are no substantial changes in the principal business of the Group during the Reporting Period.

RESULTS AND DIVIDENDS

The operating results of the Group for the year ended December 31, 2021 and the financial positions of the Company and the Group as at the same date are set out on pages 52 to 55 of the consolidated financial statements.

The Board recommends a final dividend of RMB7.32 cents (equivalent to HK$9.00 cents) per share for the year ended December 31, 2021 (2020: RMB6.51 cents). Subject to the approval of the Shareholders at the AGM, the proposed final dividend will be payable on July 5, 2022 to Shareholders whose names appear on the register of members of the Company on June 10, 2022. The Group is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

BUSINESS REVIEW

Details of the business review and performance of the Group during the Reporting Period (including the description of the main risks and uncertainties facing the Group, material events affecting the Company that have occurred since the end of 2021, the key financial performance indicators and prospects) are set out in the "Chairlady's Statement" and "Management Discussion and Analysis" sections on pages 8 to 17 of this annual report, which form part of this report.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Wednesday, June, 1, 2022. The notice of AGM will be sent to Shareholders at least 21 days before the date of convening the AGM.

CLOSURE OF REGISTER OF MEMBERS

To determine the right to attend and vote at the AGM, the Company will close the register of members between Friday, May 27, 2022 and Wednesday, June 1, 2022 (both days inclusive). To ensure the effect of right to attend and vote at the AGM, all Shareholders shall return all the documents together with the related stocks to the Company's branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 pm on Thursday, May 26, 2022.

CLOSURE OF REGISTER OF MEMBERS *(Continued)*

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

SUMMARY OF FINANCIAL INFORMATION

According to the audited consolidated financial statements and after reclassification as appropriate, the published results, assets, liabilities and net assets of the Group for the past five fiscal years is presented on page 7 "Financial Highlights" section of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment of the Group during the Reporting Period are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

The changes in the share capital and share option (if any) of the Company during the Reporting Period, together with the reasons therefor, are set out in Note 27 to the consolidated financial statements.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the initial public offering of the shares of the Company in June 2019 and allotment and issuance of shares pursuant to the full exercise of the over-allotment option in July 2019 amounted to approximately HK$8,798 million. The proposed use of the net proceeds was disclosed in the Prospectus. As of December 31, 2021, the net proceeds utilized was approximately HK$8,513 million and the remaining net proceeds was approximately HK$285 million. The Company intends to continue to utilize the remaining net proceeds in the future for the purposes as set out in the Prospectus. As of December 31, 2021, the net proceeds utilized by the Group were as follows:

Purpose	Percentage of the total amount	Net proceeds received (HKD100 million)	Utilized from the Listing Date to December 31, 2021 (HKD100 million)	Unutilized as at December 31, 2021 (HKD100 million)	Expected time frame
R&D programs, expanding our R&D team and investment in technologies	45%	39.59	36.74	2.85	The balance is expected to be fully utilized by 2025
Manufacturing system to construct new production facilities and upgrade existing production facilities	25%	21.99	21.99	0	Not applicable
Enhancement of sales and academic promotion	20%	17.60	17.60	0	Not applicable
Working capital and other general purposes	10%	8.80	8.80	0	Not applicable
Total	100%	87.98	85.13	2.85	

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

USE OF PROCEEDS FROM PLACING

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

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

USE OF PROCEED FROM ISSUANCE OF CONVERTIBLE BONDS

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

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands (the jurisdiction in which the Company was incorporated) which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

TAX RELIEF AND EXEMPTION

The Company has no knowledge of any tax relief and exemption provided to the Shareholders due to their holding of the Company's securities.

RESERVES

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out in Notes 29 and 37 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

RESERVES AVAILABLE FOR DISTRIBUTION

The Company may pay dividends out of its share premium account and retained earnings.

As at December 31, 2021, the Company had distributable reserves for share premium of RMB14,023,877,000 (2020: RMB14,008,766,000).

Details of movements in the reserves of the Company during the year ended December 31, 2021 are set out in Note 37 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the sales to the Group's five largest customers and the purchases from the Group's five largest suppliers accounted for less than 30% of the total sales and 30% of the total purchases of the Reporting Period, respectively.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The business of the Group is subject to national, provincial and local environmental laws and regulations in China. The main pollutants generated during the production process of the Group's products include waste water, waste gas and solid waste. The Group has established a pollution control system in order to comply with the applicable laws and regulations to adopt compliant and harmless disposal methods for different types of hazardous wastes, and to recycle the recyclable waste solvent and entrust units with hazardous waste disposal qualifications to burn or recycle other non-recyclable solvent. The environmental sanitation department of the plant is entrusted with the uniform disposal of non-hazardous wastes. The Group seeks to reduce, treat and recycle the waste generated in production process and improve the Group's production technique to reduce the pollutants discharged to the environment.

The Company will publish an "Environmental, Social and Governance Report" in accordance with Rule 13.91 and the "Environmental, Social and Governance Reporting Guide" contained in Appendix 27 to the Listing Rules as soon as practicable and in any event within 5 months from the end of the financial year of the Company.

DONATIONS

During the Reporting Period, the Group made charitable and other donations in an aggregate amount of approximately RMB64 million.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that the interests of stakeholders are vital to the sustainable development of its business operation and is committed to maintaining effective communication with the major stakeholders, including customers, suppliers and employees to enhance the relationship and cooperation for the long-term development of the Group.

The Group's customers are pharmaceutical product distributors. According to the industry practice, the Group will not engage our distributors to provide marketing and promotional services for our products. The Group's in-house sales and marketing team enhances professionals' knowledge and understanding of the usage, clinical effects and advantages of the Group's drug products through its promotion efforts. The Group generally entered into annual distribution agreements with distributors. The Group believes this distribution model helps extend the Group's coverage in a cost-effective manner while retaining proper control over distribution network and marketing and promotion process.

Employees are considered as the most important and valuable assets of the Group. The remuneration package for employees generally includes salary and bonuses. The Group conducts periodic performance reviews for employees, and their remuneration is performance-based. Employees also receive welfare benefits including medical care, housing subsidies, pension, occupational injury insurance and other miscellaneous benefits. The Group also provides regular training to employees designed to improve staff dedication and increase staff knowledge in a number of important areas of its services, which has enhanced the productivity of employees.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

As the Company mainly operates in China through its subsidiaries, it is subject to the Chinese laws and regulations relating to the R&D, production and distribution of pharmaceutical products, including but not limited to those on the quality, safety, environmental protection, intellectual property, labor and personnel. Meanwhile, as a company incorporated in the Cayman Islands and listed on the Stock Exchange, the Company is governed by the Company Law of the Cayman Islands, the Listing Rules and the Securities and Futures Ordinance.

During the year ended December 31, 2021, to the best knowledge of the Board, the Group does not have any incidence of non-compliance with the relevant laws and regulations that would have a significant impact on the Group's business and operations.

Directors' Report

DIRECTORS

The Directors during the Reporting Period and as at the date of this report were as follows:

Executive Directors:
Ms. Zhong Huijuan *(the Chairlady and Chief Executive Officer)*
Mr. Lyu Aifeng
Miss Sun Yuan

Non-executive Director:
Ms. Ma Cuifang (resigned on September 6, 2021)

Independent Non-executive Directors:
Mr. Lin Guoqiang
Mr. Chan Charles Sheung Wai
Ms. Yang Dongtao

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 41 to 46 of this annual report.

CHANGE IN DIRECTORS' INFORMATION

The changes in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

- On June 28, 2021, an environmental, social and governance committee was established by the Board. The members of the ESG Committee are Mr. Lyu Aifeng (chairman of the ESG Committee), Ms. Yang Dongtao and Mr. Chan Charles Sheung Wai;

- As disclosed by the Company in the announcement dated September 6, 2021, Ms. Ma Cuifang has resigned as a non-executive Director with effect from September 6, 2021;

- On October 8, 2021, Ms. Yang Dongtao was appointed as an independent director of Nanjing Chixia Development Co., Ltd.* (南京棲霞建設股份有限公司) (Stock Code: 600533), a company listed on the Shanghai Stock Exchange;

- On December 23, 2021, a nomination committee was established by the Board. The members of the Nomination Committee are Ms. Zhong Huijuan (chairlady of the Nomination Committee), Mr. Lin Guoqiang and Mr. Chan Charles Sheung Wai;

- On December 23, 2021, the shares of Shanghai Bio-heart Biological Technology Co., Ltd. (上海百心安生物技術股份有限公司) (Stock Code: 2185) where Mr. Chan Charles Sheung Wai served as an independent non-executive director were listed and offered on the Stock Exchange.

Save as disclosed above, there are no other changes in the Directors' biographical details which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules, and the Company is of the view that such independent non-executive Directors are independent.

SERVICE CONTRACTS OF DIRECTORS

None of the Directors has entered into any unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS AND CONTRACTS AS WELL AS COMPETING BUSINESS

Save as disclosed in the section headed "Related Party Transactions" and Note 32 to the "Related Party Transactions" of the consolidated financial statements in this annual report, no contracts of significance (as defined in Appendix 16 of the Listing Rules) related to the business of the Company to which the Company, its holding companies or any of its subsidiaries was a party and in which a Director or controlling Shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of 2021 or at any time during 2021.

Save as disclosed in the section headed "Relationship with our Controlling Shareholders – The Associate's Investee Group" of the Prospectus, none of our Directors or their respective associates (as defined under the Listing Rules) has any interest in a business which competes or is likely to compete with our Group's business under Rules 8.10(2)(b) and 8.10(2)(c) of the Listing Rules.

DEED OF NON-COMPETITION

The controlling Shareholders of the Company (i.e., Ms. Zhong Huijuan, Stellar Infinity and Sunrise Investment) have respectively acknowledged to the Company that they have honored the non-competition undertaking made to the Company under the deed of non-competition entered into on May 27, 2019. The independent non-executive Directors have reviewed such compliance and confirmed that the above-mentioned parties had kept and duly performed all the undertakings under the Deed of Non-competition during the Reporting Period.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in Note 32 to the consolidated financial statements. Pursuant to Chapter 14A of the Listing Rules, none of such related party transactions constitutes a connected transaction or continuing connected transaction (as the case may be).

EVENTS AFTER THE REPORTING PERIOD

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

As at the date of this report, the number of COVID-19 cases (including COVID-19 Delta and Omicron variants) in several cities in China continued to increase. The Group adopted strict disease prevention plans and measures to ensure the orderly and smooth production and operation activities of the Group, including, among other things, requiring employees to wear masks during working hours, daily disinfection of the workplace and strengthening ventilation, conducting temperature check and registration before employees entering the work place, and when there is an outbreak of COVID-19 pandemic, to arrange employees to work from home according to the pandemic control requirements. As such, we expect that the COVID-19 pandemic will not have a material impact on the Group's business operation and financial condition. The Company will continuously monitor the development of the COVID-19 pandemic, take appropriate measures when necessary, and assess relevant impact on the overall operations result of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2021, the interests and/or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) required to be entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules were as follows:

1. Interest in shares or underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest[(1)]
Ms. Zhong Huijuan[(2)]	Person with influence over a trust	3,900,000,000	65.85%
Miss Sun Yuan[(2)]	Beneficiary of a trust	3,900,000,000	65.85%
Mr. Lyu Aifeng[(3)]	Beneficial owner	1,050,000	0.018%

Notes:

(1) The calculation is based on the total number of 5,922,350,070 issued shares of the Company as at December 31, 2021.

(2) These ordinary shares in the Company are beneficially owned by Stellar Infinity which is a wholly-owned subsidiary of Sunrise Investment, which in turn is wholly owned by Sunrise Trust Trustee as trustee for the Sunrise Trust, a discretionary trust set up by Miss Sun Yuan ("**Miss Sun**"). Ms. Zhong is the person who has consent right on key matters in respect of the Sunrise Trust under the trust deed in respect of the Sunrise Trust. Accordingly, Ms. Zhong and Miss Sun are deemed or taken to be interested in all the shares of the Company which are beneficially owned by Stellar Infinity for the purpose of Part XV of the SFO.

(3) These include Mr. Lyu Aifeng's entitlement to 930,000 restricted share units subject to vesting conditions.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

2. Interest in shares or underlying shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of shares or underlying shares in the associated corporation	Percentage of shareholding interest in the associated corporation
Ms. Zhong Huijuan	Sunrise Investment[1]	Person with influence over a trust	100	100%
Miss Sun Yuan	Sunrise Investment[1]	Beneficiary of a trust	100	100%

Note:

(1) Sunrise Investment is wholly owned by the Sunrise Trust Trustee, which is the trustee for the Sunrise Trust, a discretionary trust set up by Miss Sun. Ms. Zhong is the person who has consent right on key matters in respect of the Sunrise Trust under the trust deed in respect of the Sunrise Trust. Accordingly, Ms. Zhong and Miss Sun are deemed or taken to be interested in all the shares of Sunrise Investment which are beneficially owned by the Sunrise Trust Trustee for the purpose of Part XV of the SFO.

Save as disclosed above, as at December 31, 2021, so far as is known to the Directors, none of the Directors and the chief executives of the Company had or were deemed to have any interest and/or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company under Divisions 7 and 8 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2021, the interests and/or short positions of persons (other than the Directors and chief executives of the Company) in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO) which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest[1]
Stellar Infinity[2]	Beneficial owner	3,900,000,000	65.85%
Sunrise Investment[2]	Interest in controlled corporation	3,900,000,000	65.85%
Sunrise Trust Trustee[2]	Interest in controlled corporation	3,900,000,000	65.85%
Apex Medical[3]	Beneficial owner	950,000,000	16.04%
Mr. Cen Junda[3]	Interest in controlled corporation	950,000,000	16.04%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

(1) The calculation is based on the total number of 5,922,350,070 issued Shares of the Company as at December 31, 2021.

(2) Stellar Infinity is a wholly-owned subsidiary of Sunrise Investment, which in turn is wholly owned by the Sunrise Trust Trustee, the trustee of the Sunrise Trust. Therefore, each of Sunrise Investment and the Sunrise Trust Trustee is deemed to be interested in the Shares of the Company held by Stellar Infinity pursuant to the SFO.

(3) Apex Medical is wholly-owned by Mr. Cen Junda. Therefore, Mr. Cen Junda is deemed to be interested in the Shares of the Company held by Apex Medical pursuant to the SFO.

Save as disclosed above, as at December 31, 2021, so far as is known to the Directors, no person (not being a Director or chief executive of the Company) had or was deemed to have any interest and/or short position in the Shares or underlying Shares of the Company which was required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period, were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other corporations.

PERMITTED INDEMNITY PROVISION

In addition to the indemnities provisions as set out in the Articles of Association, Directors' liability insurance is currently in place, and was in place during the Reporting Period, to protect the Directors of the Company against potential costs and liabilities arising from claims against them.

SUFFICIENT PUBLIC FLOAT

In accordance with Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange has granted the Company a waiver and accepted a lower public float of 16.21% of the Company's issued share capital.

During the Reporting Period, according to the public information obtainable by the Company and to the knowledge of the Directors, the Company has maintained the minimum public float to the extent permitted by the Stock Exchange.

RSU SCHEME

We have conditionally approved and adopted the RSU Scheme on May 27, 2019 to recognize contributions by selected participants and give incentives to them 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 Appendix IV "Statutory and General Information – D. Post-IPO RSU Scheme" of the Prospectus.

As at December 31, 2021, pursuant to the RSU Scheme, the Company had granted to Directors, executives and employees of the Group outstanding RSUs representing 17,542,000 Shares, accounting for approximately 0.30% of the total issued shares of the Company as at December 31, 2021.

Details of the RSUs granted under the RSU Scheme during the Reporting Period are as follows:

		Number of Shares underlying RSUs during the Reporting Period[1]					
Category	**Grant date[1]**	**Outstanding as at January 1, 2021**	**Granted**	**Exercised**	**Cancelled**	**Lapsed**	**Outstanding as at December 31, 2021**
1. Director							
Mr. Lyu Aifeng	June 15, 2020	300,000	–	120,000	0	0	180,000
	June 28, 2021	–	750,000	–	0	0	750,000
2. Continuous Contract Employees	April 22, 2020	8,573,900	–	3,238,870	0	221,470	5,113,560
Total	May 12, 2021	–	16,792,000	–	0	504,700	16,287,300
Total		8,873,900	17,542,000	3,358,870	0	726,170	22,330,860

Note:

(1) The vesting schedule of the RSUs granted follows either of following: (i) 40% shall vest on the first anniversary of the grant date and the remaining 30% and 30% shall vest on the second and third anniversary of the grant date, respectively; or (ii) 30% shall vest on the first anniversary of the grant date and the remaining 30% and 40% shall vest on the second and third anniversary of the grant date, respectively.

CORPORATE GOVERNANCE

Details of the principal corporate governance practices adopted by the Company are set out in the section of "Corporate Governance Report" of this annual report.

AUDITOR

The consolidated financial statements for the year ended December 31, 2021 have been audited by Ernst & Young, which will retire at the conclusion of the AGM and, being eligible, offer themselves for re-appointment. A resolution on the re-appointment of Ernst & Young as the auditor of the Company will be proposed at the AGM.

For and on behalf of the Board
Ms. Zhong Huijuan *(Chairlady and Chief Executive Officer)*

March 29, 2022

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Ms. ZHONG Huijuan (鍾慧娟), aged 61, is the founder of the Group and currently the chairlady of the Board, chief executive officer and an executive Director of the Company. Ms. Zhong is the chairlady of both the Nomination Committee and the Strategy and Development Committee and a member of the Remuneration Committee. Ms. Zhong was appointed as a Director on December 2, 2015. Ms. Zhong was appointed as a director of Jiangsu Hansoh in September 1998. Ms. Zhong is primarily responsible for our Group's strategic development and planning, overall operations and decision making, board governance and supervision of key management issues. Ms. Zhong is the mother of Miss Sun.

Ms. Zhong has approximately 30 years of experience in the pharmaceutical industry in China, with substantial experience in pharmaceutical enterprise operation and management, as well as extensive industry knowledge on the development and expansion of our oncology and psychotropic drug portfolio in their respective therapeutic areas. From September 1994 until the establishment of our Group, Ms. Zhong served at Lianyungang Drug Administration. Ms. Zhong has been responsible for our Group's overall development since its establishment. Under Ms. Zhong's leadership, our Group has developed into one of the few R&D-driven Chinese pharmaceutical companies with an established leadership position in some of the largest and fastest-growing therapeutic areas in China with significant unmet clinical needs. Our Group was recognized as a "Leading Enterprise in the Internationalization of Pharmaceuticals* (製劑國際化先導型企業)" by the China Chamber Of Commerce For Import & Export Of Medicines & Health Products* (中國醫保商會) and China Pharmaceutical Enterprises Association* (中國醫藥企業管理協會) in 2014. Since 2016, our Group has been recognized as a National Enterprise Technology Center* (國家級企業技術中心) and National Intellectual Property Exemplary Enterprise* (國家知識產權示範企業). Our Group has also been continuously recognized as the Top 100 Most Powerful Chinese Pharmaceutical Industrial Enterprises* (中國醫藥工業百強企業) by the China Pharmaceutical Industry Information Center (中國醫藥工業信息中心).

Ms. Zhong is the vice president of the council of Jiangsu Pharmaceutical Association* (江蘇省藥學會) and a standing supervisor of the China Quality Association for Pharmaceuticals* (中國醫藥質量管理協會). Ms. Zhong was also elected as a representative of the 12th and 13th Jiangsu Provincial People's Congress (江蘇省人民代表大會).

Over the years, Ms. Zhong received numerous awards and recognitions for her contributions to both the pharmaceutical industry and pharmaceutical industrial and commercial enterprises. She received State Council Special Allowance in February 2013. In December 2013, she also received the "All China Federation of Industry Commerce Scientific and Technological Progress Award (first prize)"* (中華全國工商業聯合會科技進步獎一等獎). In December 2014, Ms. Zhong received the "State Science and Technology Award (second prize)"* (國家科技進步獎二等獎) from the State Council.

In July 1982, Ms. Zhong obtained her undergraduate degree in chemistry from Jiangsu Normal University (江蘇師範大學) (formerly known as Xuzhou Normal University (徐州師範學院)) in Xuzhou. She then obtained her Executive Master of Business Administration ("**EMBA**") from Nanjing University (南京大學) in December 2005.

Biographical Details of Directors and Senior Management

DIRECTORS *(Continued)*

Executive Directors *(Continued)*

Mr. LYU Aifeng (呂愛鋒), aged 45, is an executive Director of the Company. Mr. Lyu is the chairman of the ESG Committee and a member of the Strategy and Development Committee. Mr. Lyu was appointed as a Director on March 11, 2016, and is primarily responsible for the daily business operation and management of our Group, as well as the operation and management of certain subsidiaries. Mr. Lyu was appointed as president of Jiangsu Hansoh, the general manager of Shanghai Hansoh and the executive director of Hansoh Health Technology Co., Ltd. in December 2015, April 2016 and September 2019, respectively.

Mr. Lyu has more than 20 years of technical and management experience in R&D and product quality control systems in the pharmaceutical industry. Mr. Lyu joined our Group in July 1998 and has served in various positions, including director of product development in August 2001, and director of research institution in March 2009.

Mr. Lyu has obtained numerous awards and recognitions. Mr. Lyu obtained the "State Science and Technology Progress Award (second prize)"* (國家科技進步獎二等獎) in 2013 and 2014. Mr. Lyu was recognized as a "Young Expert with Outstanding Contributions"* (有突出貢獻的中青年專家) by the People's Government of Jiangsu Province (江蘇省人民政府) in March 2015. He was also chosen for the "100 Million Talents Programme"* (國家百千萬人才工程) by the PRC Ministry of Human Resources and Social Security (中華人民共和國人力資源和社會保障部) in October 2017. He was further selected for the "Ten Thousand Talents Programme"* (國家萬人計劃) by the PRC Ministry of Science and Technology (中華人民共和國科學技術部) in May 2018.

Mr. Lyu obtained both his bachelor of science degree in chemistry and his master of science degree in organic chemistry from Nanjing University (南京大學), in July 1998 and June 2005, respectively. Mr. Lyu also obtained his doctorate degree in biomedical engineering from Southeast University (東南大學) in Nanjing in June 2015.

Miss SUN Yuan (孫遠), aged 35, is an executive Director of the Company. Miss Sun was appointed as a Director on December 2, 2015. Miss Sun has served as a director of Jiangsu Hansoh from October 2011 to October 2019. Miss Sun is primarily responsible for providing guidance on R&D strategies, business development, investment strategies and the scientific development of our Group, which includes monitoring and introducing latest industry development and pharmaceutical technologies to the Group and exploring overseas business opportunities. Miss Sun is the daughter of Ms. Zhong.

Miss Sun has approximately ten years of experience in healthcare investment management and industry research. Prior to joining our Group in October 2011, Miss Sun had worked as an analyst at Hony Capital since June 2009.

Miss Sun received her bachelor's degree in biomedical sciences from Cambridge University in June 2007.

Biographical Details of Directors and Senior Management

DIRECTORS *(Continued)*

Independent Non-Executive Directors

Mr. LIN Guoqiang (林國強), aged 79, is an independent non-executive Director of the Company. Mr. Lin has been appointed as an independent non-executive Director of the Company with effect from May 31, 2019. Mr. Lin is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Lin is primarily responsible for providing independent opinion and judgment to the Board.

Mr. Lin has more than 50 years of research experience in chemistry. Mr. Lin joined the Shanghai Institute of Organic Chemistry of the Chinese Academy of Sciences* (中國科學院上海有機化學研究所) in 1968. He was promoted to researcher of such institute in 1990, served as deputy director from 1988 to 1993 and director of such institute from 1993 to 1999. Mr. Lin was a visiting scholar at the Royal Institute of Technology in Sweden in 1980, and also a visiting scientist at both the University of Pittsburgh and R&D Department of SmithKline in the U.S. in 1986. Since 1992, Mr. Lin has been the director and executive editor of the publication "Tetrahedron/Tetrahedron Letters" in China and served as deputy chief editor of "China Science: Chemistry" (《中國科學：化學》) from 2008 to 2017. Mr. Lin was also elected as academician of the Chinese Academy of Sciences (中國科學院院士) in 2001.

Mr. Lin has received numerous awards, including State Natural Science Awards and Science Progress Awards. Examples are set out in the table below:

Honor/Award	Awarding Body	Timing of Granting the Award
Second Prize of State Natural Science Award of 2016	State Council	December 2016
Second Prize of State Scientific and Technological Progress Award of 2013	State Council	December 2013
Third Prize of State Scientific and Technology Progress Award of 1995	State Scientific and Technological Commission	December 1995
Second Prize of State Scientific and Technology Progress Award of 1987	State Science & Technology Award Judging Panel	July 1987
Third Prize of State Invention Award of 1987	State Scientific and Technological Commission	January 1987

Mr. Lin obtained his bachelor's degree in organic chemistry from Shanghai University of Science and Technology (上海科學技術大學) in July 1964, and obtained his master's degree in organic chemistry from Shanghai Institute of Organic Chemistry of the Chinese Academy of Sciences (中國科學院上海有機化學研究所) in July 1968.

Biographical Details of Directors and Senior Management

DIRECTORS *(Continued)*

Independent Non-Executive Directors *(Continued)*

Mr. CHAN Charles Sheung Wai (陳尚偉), aged 68, is an independent non-executive Director of the Company. Mr. Chan has been appointed as an independent non-executive Director of the Company with effect from May 31, 2019. Mr. Chan is the chairman of the Audit Committee and a member of the Strategy and Development Committee, the ESG Committee and the Nomination Committee. Mr. Chan is primarily responsible for providing independent opinion and judgment to the Board.

Mr. Chan has more than 40 years of experience in corporate finance, financial regulations and risk management. Mr. Chan started his career as an auditor at the Canadian office of Arthur Andersen in 1977 and was promoted to partnership in 1988. He subsequently joined the China & Hong Kong office of Arthur Andersen as an audit partner in 1994. From July 2002 to June 2012, Mr. Chan was a partner of the China & Hong Kong office of PricewaterhouseCoopers. Mr. Chan served as a member of the Listing Committee of the Hong Kong Stock Exchange from 1998 to 2001 and also as a member of the Election Committee for the first Legislative Council of Hong Kong in 1998. From 1996 to 1999, Mr. Chan was a council member of the Hong Kong Institute of Certified Public Accountants. He also served as a member of the Accounting Standards Committee, Auditing Standards Committee and the chairman of the China Technical Committee of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan is currently an independent non-executive director of the following companies which are all listed on the Stock Exchange, namely SRE Group Limited (Stock Code: 1207), Maoyan Entertainment (Stock Code: 1896), Sun Art Retail Group Limited (Stock Code: 6808) and Shanghai Bio-heart Biological Technology Co., Ltd. (Stock Code: 2185). From September 2013 to April 2020, he served as an independent director of Changyou.com Ltd, a company listed on the NASDAQ (Stock Code: CYOU). From May 2016 to May 2019, he served as an independent non-executive director of CITIC Securities Company Limited (Stock Code: 6030), a company listed on the Stock Exchange.

In May 1977, Mr. Chan obtained a Bachelor of Commerce degree from the University of Manitoba, in Canada. He is a member of both the Chartered Accountants of Canada and the Hong Kong Institute of Certified Public Accountants.

Ms. YANG Dongtao (楊東濤), aged 64, is an independent non-executive Director of the Company. Ms. Yang has been appointed as an independent non-executive Director of the Company with effect from May 31, 2019. Ms. Yang is the chairlady of the Remuneration Committee and a member of the Audit Committee, the Strategy and Development Committee and the ESG Committee. Ms. Yang is primarily responsible for providing independent opinion and judgment to the Board.

Ms. Yang has over 30 years of experience in the field of education. She was a lecturer of the Management Department of Nanjing University School of Business (南京大學商學院管理學系) from March 1985 to March 1992. She then served as associate professor from March 1992 to March 1999 and as professor from March 1999 to February 2007 of the Management Department of Nanjing University School of Business (南京大學商學院管理學系). Ms. Yang has been a professor of the Human Resources Management Department of Nanjing University School of Business (南京大學商學院人力資源管理系) since February 2007. Since May 2016, she has also been the vice president of the Jiangsu Province Human Resources Society* (江蘇省人力資源學會).

Ms. Yang is currently an independent director of Perfect Group Corp., Ltd.* (倍加潔集團股份有限公司) (Stock Code: 603059) and Nanjing Chixia Development Co., Ltd.* (南京棲霞建設股份有限公司) (Stock Code: 600533), both listed on the Shanghai Stock Exchange, and was an independent director of a Shanghai Stock Exchange listed company, Jiangsu Novoray New Materials Co., Ltd. (江蘇聯瑞新材料股份有限公司) (Stock Code: 688300) from May 2017 to February 2021.

Ms. Yang received her bachelor of engineering from Southeast University (東南大學) (formerly known as Nanjing Institute of Technology (南京工學院)) in Nanjing in July 1982. She obtained both her master's degree in economics and her doctorate degree in corporate management from Nanjing University (南京大學) in February 1992 and December 1998, respectively.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

The members of our senior management team and details of each of their experience are as follows:

Mr. WU Qiong (吳穹), aged 53, is the chief medical officer of the Group, responsible for the clinical research and development of innovative drugs of the Group.

Mr. Wu has worked in the field of clinical oncology for more than 20 years, participated in over 50 clinical trials of new drugs at home and abroad, and has extensive clinical practice and research experience. Mr. Wu has published more than 20 research papers included in the Science Citation Index (SCI) as the first/corresponding author, presided more than 10 research projects including the National Natural Science Foundation of China (國家自然科學基金), and won the first prize of Science and Technology Award of Jiangsu Province* (江蘇省科技獎一等獎). Mr. Wu joined the Group in March 2018 and was appointed to his current position. Mr. Wu is currently the director of the Chinese Society of Clinical Oncology (中國臨床腫瘤學會) and the vice chairman of the Cancer Rehabilitation and Palliative Care Professional Committee of the Chinese Anti-Cancer Association (中國抗癌協會). Before joining the Group, Mr. Wu had been engaged in clinical oncology medical teaching and research work in the First Affiliated Hospital of Bengbu Medical College *(蚌埠醫學院第一附屬醫院) as the director of the Department of Medical Oncology and the deputy director of the National Drug Clinical Trials Agency of the hospital for 20 years.

Mr. Wu obtained a bachelor's degree in clinical medicine from Bengbu Medical College (蚌埠醫學院) in July 1991, a master's degree in internal medicine (hematology) from Jinan University (暨南大學) in June 1999, and in June 2008, he obtained a doctoral degree in clinical medicine (oncology) from the Second Military Medical University (第二軍醫大學).

Mr. SUN Weiyong (孫偉勇), aged 51, is the chief commercial officer of the Group, responsible for the Group's global business development. Mr. Sun joined the Group in March 2021 and was appointed to his current position.

Mr. Sun has more than 20 years of extensive experience in the field of medicine and BD. Before joining the Group, Mr. Sun served as a senior director of Daiichi Sankyo Company, Limited from April 2002 to March 2021, responsible for BD and innovative drug research and development in the United States and Japan respectively. From December 2000 to October 2001, he worked as a postdoctoral fellow at the Medical College of Wisconsin in the United States.

Mr. Sun obtained a bachelor's degree in clinical medicine from Beijing Medical University (北京醫科大學) (currently known as Peking University Health Science Center (北京大學醫學部)) in July 1993, and master's and doctoral degrees from the Cell Biochemistry Laboratory of the University of Tokyo in March 1999 and March 2002 respectively. He obtained a master's degree in business administration from Columbia University in May 2015.

Ms. ZHONG Chunhua (鍾春華), aged 47, is a senior vice president of our Group and has been appointed to this position since January 2013. Ms. Zhong Chunhua is primarily responsible for overseeing production and human resources management of our Group.

Ms. Zhong Chunhua has more than 20 years of managerial experience in pharmaceutical manufacturing quality control and human resources and joined our Group in July 2000. She was appointed as a quality assurance supervisor in February 2002, and was then promoted to quality assurance manager in August 2004. In March 2009, Ms. Zhong Chunhua was appointed as executive deputy general manager of the production division of Jiangsu Hansoh and has been responsible for managing the pharmaceutical production division.

SENIOR MANAGEMENT *(Continued)*

Ms. Zhong Chunhua received her bachelor of pharmaceutical sciences degree from China Pharmaceutical University (中國藥科大學) (formerly known as Nanjing Medical College (南京醫學院)) in Nanjing in July 2000.

Mr. XU Chuanhe (徐傳合), aged 58, is a senior vice president of our Group and has been appointed to this position since March 2009. Mr. Xu is primarily responsible for matters related to business management of our Group.

Mr. Xu has more than 20 years of experience in pharmaceutical sales management. Mr. Xu joined our Group in August 1997 and was appointed as deputy general manager of the sales division in October 1997.

Mr. Xu obtained his Bachelor of Science degree from China Pharmaceutical University (中國藥科大學) (formerly known as Nanjing Medical College (南京藥學院)) in Nanjing in July 1985 and his EMBA from Wuhan University (武漢大學) in December 2008.

Mr. HU Min (胡旻), aged 45, is the chief financial officer of the Group. Mr. Hu joined our Group in September 2019 and was appointed to his current position.

Mr. Hu has years of experience in finance, auditing, consulting and capital markets in the pharmaceutical and healthcare industries. Before joining our Group, Mr. Hu served as an audit partner for the pharmaceutical and healthcare industries at Deloitte Touche Tohmatsu China. Mr. Hu holds qualifications of certified public accountant of China and the United States.

Mr. Hu obtained his bachelor of economics from Xiamen University in July 1999.

JOINT COMPANY SECRETARIES

Ms. ZHONG Shengli (鍾勝利), aged 54, has served as a joint company secretary and a senior vice president of our Group since August 2018 and March 2012, respectively.

Ms. Zhong Shengli joined our Group in July 2010 as investment director and was responsible for investment management.

Before joining our Group, she had more than ten years of work experience in financial institutions. Ms. Zhong Shengli served as a senior manager for Ping An Bank from November 1998 to July 2010.

Ms. Zhong Shengli obtained her bachelor of arts degree from Beijing Foreign Studies University (北京外國語大學) (formerly known as Beijing Foreign Studies College (北京外國語學院)) in July 1991 and her master degree in economics from Peking University (北京大學) in January 2007. Ms. Zhong Shengli is an Affiliated Person of Hong Kong Chartered Governance Institute ("**HKCGI**") (formerly "The Hong Kong Institute of Chartered Secretaries").

Ms. LI Yan Wing Rita (李昕穎) was appointed as a joint company secretary of our Company with effect from the Listing Date. Ms. Li is an executive director of Corporate Services of Tricor Services Limited and has over 20 years of experience in the corporate secretarial field, providing professional corporate secretarial services to listed companies as well as multi-national, private and offshore companies. She is currently the company secretary or joint company secretary of several companies listed on the Stock Exchange.

Ms. Li is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both HKCGI and The Chartered Governance Institute (formerly "The Institute of Chartered Secretaries and Administrators"). She is also a holder of the Practitioner's Endorsement from HKCGI.

Independent Auditor's Report

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To the shareholders of Hansoh Pharmaceutical Group Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hansoh Pharmaceutical Group Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 52 to 122, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on trade receivables As at 31 December 2021, the Group's net trade receivables amounted to approximately RMB3,247,297,000, which represented approximately 12% of total assets of the Group. According to Hong Kong Financial Reporting Standard 9 "Financial Instruments" ("**HKFRS 9**"), a forward-looking ECL approach was applied by the Group. The measurement of ECLs involves significant judgement and assumptions used in the ECL approach as the ECLs must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money. The Group's disclosures about the ECLs on the trade receivables are included in Note 2.4 Summary of significant accounting policies, Note 3 Significant accounting judgements and estimates, Note 17 Trade and bills receivables and Note 33 Financial instruments by category to the consolidated financial statements, which specifically explain the accounting policies, management's judgements and estimates, and the overdue receivables and the related provision.	Our procedures in relation to management's assessment on ECLs on trade receivables included: – Obtained an understanding, evaluated the design and tested the operating effectiveness of the controls that the Group had implemented to manage and monitor its credit risk; – Tested the accuracy and completeness of the data used by management to develop the historical loss rates and evaluated management's assessment of the sufficiency, reliability and relevance of those data; – Evaluated the forward-looking adjustments made to reflect current and forecast future economic conditions; – Tested, on a sampling basis, the ageing profile of the trade receivables as at 31 December 2021 by comparing individual items in the ageing profile with the relevant sales agreement, sales invoices and other supporting documents; and – Inquired of management for the status of each of the material trade receivables which was past due as at the year end and evaluated management's assessment of collectability by performing public search of the credit profile of selected customers, understanding on-going business relationship with the customers based on the trade records, checking historical and subsequent settlement records and other correspondence with the customers. We also read and assessed the relevant disclosures made in the consolidated financial statements, including disclosures of the basis for this estimation.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong

29 March 2022

Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 *RMB'000*	2020 *RMB'000*
REVENUE	5	**9,935,141**	8,690,234
Cost of sales		**(870,042)**	(801,561)
Gross profit		**9,065,099**	7,888,673
Other income	5	**393,188**	220,637
Selling and distribution expenses		**(3,427,818)**	(3,103,018)
Administrative expenses		**(943,423)**	(758,641)
Research and development costs		**(1,797,012)**	(1,252,246)
Other gains, net	5	**62,866**	102,894
Finance costs	7	**(52,818)**	–
PROFIT BEFORE TAX	6	**3,300,082**	3,098,299
Income tax expense	10	**(587,180)**	(529,392)
PROFIT FOR THE YEAR		**2,712,902**	2,568,907
Attributable to:			
Owners of the parent		**2,712,902**	2,568,907
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic (RMB)		**0.46**	0.44
Diluted (RMB)		**0.44**	0.44

Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

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

Consolidated Statement of Financial Position

31 December 2021

	Notes	**2021**	2020
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,224,555**	2,039,329
Right-of-use assets	14(a)	**250,840**	264,489
Intangible assets	15	**17,037**	9,893
Financial assets at fair value through profit or loss	19	**394,967**	28,389
Prepayments for purchase of property, plant and equipment		**93,404**	1,163,971
Total non-current assets		**3,980,803**	3,506,071
CURRENT ASSETS			
Inventories	16	**410,127**	298,727
Trade and bills receivables	17	**3,675,990**	3,127,460
Prepayments, other receivables and other assets	18	**160,207**	142,098
Financial assets at fair value through profit or loss	19	**2,357,215**	200,000
Other financial assets	20	**1,873,773**	9,232,734
Cash and bank balances	21	**14,702,056**	4,284,970
Total current assets		**23,179,368**	17,285,989
CURRENT LIABILITIES			
Trade and bills payables	22	**248,330**	124,382
Other payables and accruals	23	**2,609,035**	2,347,033
Contract liabilities	24	**22,201**	195,688
Lease liabilities	14(b)	**9,968**	11,039
Tax payable		**134,196**	11,397
Total current liabilities		**3,023,730**	2,689,539
NET CURRENT ASSETS		**20,155,638**	14,596,450
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,136,441**	18,102,521
NON-CURRENT LIABILITIES			
Convertible bonds	26	**3,742,996**	–
Lease liabilities	14(b)	**74,917**	81,710
Deferred tax liabilities	25	**266,752**	121,810
Other non-current liabilities		**22,931**	23,403
Total non-current liabilities		**4,107,596**	226,923
NET ASSETS		**20,028,845**	17,875,598

Consolidated Statement of Financial Position

31 December 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	**52**	52
Treasury shares	28	**(57,969)**	–
Reserves	29	**20,086,762**	17,875,546
		20,028,845	17,875,598
Non-controlling interests		**–**	–
Total equity		**20,028,845**	17,875,598

Director

Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

		Attributable to owners of the parent									
	Notes	Share capital RMB'000	Share premium* RMB'000 Note 29(a)	Share option reserve* RMB'000	Merger reserve/other reserve* RMB'000 Note 29(b)	Exchange fluctuation reserve* RMB'000 Note 29(c)	Statutory surplus reserves* RMB'000 Note 29(d)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020		51	10,836,794	–	(57,100)	255,712	613,050	1,395,815	13,044,322	–	13,044,322
Profit for the year		–	–	–	–	–	–	2,568,907	2,568,907	–	2,568,907
Exchange differences on translation of foreign operations		–	–	–	–	(978,194)	–	–	(978,194)	–	(978,194)
Total comprehensive income for the year		–	–	–	–	(978,194)	–	2,568,907	1,590,713	–	1,590,713
Issue of shares by private placement	27(a)	1	3,181,517	–	–	–	–	–	3,181,518	–	3,181,518
Share-based payments	28	–	–	68,590	–	–	–	–	68,590	–	68,590
Share issue expenses		–	(9,545)	–	–	–	–	–	(9,545)	–	(9,545)
Dividends declared	11	–	–	–	–	–	–	–	–	–	–
Transfer from retained profits		–	–	–	–	–	233,858	(233,858)	–	–	–
At 31 December 2020		52	14,008,766	68,590	(57,100)	(722,482)	846,908	3,730,864	17,875,598	–	17,875,598

		Attributable to owners of the parent										
	Notes	Share capital RMB'000	Share premium* RMB'000 Note 29(a)	Share option reserve* RMB'000 Note 28	Treasury shares RMB'000 Note 28	Merger reserve/other reserve* RMB'000 Note 29(b)	Exchange fluctuation reserve* RMB'000 Note 29(c)	Statutory surplus reserves* RMB'000 Note 29(d)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021		52	14,008,766	68,590	-	(57,100)	(722,482)	846,908	3,730,864	17,875,598	-	17,875,598
Profit for the year		-	-	-	-	-	-	-	2,712,902	2,712,902	-	2,712,902
Exchange differences on translation of foreign operations		-	-	-	-	-	(201,403)	-	-	(201,403)	-	(201,403)
Total comprehensive income for the year		-	-	-	-	-	(201,403)	-	2,712,902	2,511,499	-	2,511,499
Issue of shares by private placement	27(a)	-	15,111	-	-	-	-	-	-	15,111	-	15,111
Share-based payments	28	-	-	65,472	-	-	-	-	-	65,472	-	65,472
Repurchase of shares under share award scheme	28	-	-	-	(57,969)	-	-	-	-	(57,969)	-	(57,969)
Dividends declared	11	-	-	-	-	-	-	-	(380,866)	(380,866)	-	(380,866)
Transfer from retained profits		-	-	-	-	-	-	6,475	(6,475)	-	-	-
At 31 December 2021		52	14,023,877	134,062	(57,969)	(57,100)	(923,885)	853,383	6,056,425	20,028,845	-	20,028,845

* These reserve accounts comprise the consolidated reserves of RMB20,086,762,000 (2020: RMB17,875,546,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,300,082**	3,098,299
Adjustments for:			
Impairment of trade receivables, net	5	**817**	(309)
Impairment of inventories, net	5	**347**	1,850
Depreciation of items of property, plant and equipment	6	**257,165**	216,350
Depreciation of right-of-use assets	6	**15,046**	11,880
Amortisation of deferred income		**(472)**	–
Amortisation of intangible assets	6	**6,256**	5,044
(Gain)/loss on disposal of items of property, plant and equipment	5	**(3,935)**	39
Fair value gains on financial assets at fair value through profit or loss	5	**(26,279)**	(87,155)
Fair value gains of convertible bonds	5	**(108,754)**	–
Investment income	5	**(89,758)**	(71,879)
Interest income from deposits with initial terms of over three months when acquired		**(143,927)**	(47,625)
Interest expense on lease liabilities	5	**–**	1,645
Finance costs	7	**52,818**	–
Share-based payments	6	**65,472**	68,590
		3,324,878	3,196,729
Increase in trade and bills receivables		**(549,347)**	(881,192)
Increase in prepayments, other receivables and other assets		**(18,109)**	(79,860)
(Increase)/decrease in inventories		**(111,747)**	113,771
Increase/(decrease) in trade and bills payables		**123,948**	(68,468)
Increase in other payables and accruals		**300,365**	544,382
(Decrease)/increase in contract liabilities		**(173,487)**	155,219
Cash generated from operations		**2,896,501**	2,980,581
Income tax paid		**(319,439)**	(590,102)
Net cash flows from operating activities		**2,577,062**	2,390,479

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 *RMB'000*	2020 *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from items of property, plant and equipment		**54,771**	8,071
Proceeds from intangible assets		**247**	–
Purchases of items of property, plant and equipment		**(460,033)**	(1,427,645)
Purchases of intangible assets		**(15,408)**	(11,605)
(Increase)/decrease in time deposits with original maturity of over three months when acquired		**(6,866,997)**	1,531,604
Decrease/(increase) of financial products included in other financial assets		**7,295,931**	(5,740,484)
(Increase)/decrease of financial products included in financial assets at fair value through profit or loss		**(2,524,415)**	2,545,306
Interest income received from deposits with initial terms of over three months when acquired		**150,170**	63,247
Investment income received from financial products included in other financial assets		**89,758**	71,879
Investment income received from financial products included in financial assets at fair value through profit or loss		**16,819**	85,500
Net cash flows used in investing activities		**(2,259,157)**	(2,874,127)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Net proceeds from issue of convertible bonds	26	**3,852,789**	–
Net proceeds from issue of new shares by private placement	27(a)	**15,111**	3,171,973
Dividends paid		**(380,866)**	(4,200,000)
Lease payments		**(12,289)**	(7,601)
Purchase of shares under the share award scheme		**(57,969)**	–
Net cash flows from/(used in) financing activities	30	**3,416,776**	(1,035,628)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,734,681**	(1,519,276)
Cash and cash equivalents at beginning of year		**3,063,316**	5,344,859
Effect of foreign exchange rate changes, net		**(79,288)**	(762,267)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**6,718,709**	3,063,316
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**2,503,263**	1,514,473
Non-pledged time deposits with original maturity of less than three months when acquired	21	**4,215,446**	1,548,843
Cash and cash equivalents as stated in the consolidated statement of cash flows		**6,718,709**	3,063,316

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 holding company of the Company is Stellar Infinity Company Ltd. and the ultimate parent company of the Company is Harmonia Holding Investing (PTC) Limited. Both Stellar Infinity Company Ltd. and Harmonia Holding Investing (PTC) Limited are incorporated in BVI.

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**").

As at the date of this report, the Company has direct and indirect interest in its subsidiaries, all of which are private limited liability companies (or if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong).

Particulars of the principal subsidiaries now comprising the Group are set out below:

Company name	Pace of incorporation/ registration and operation	Issued ordinary/ registered share capital	Date of incorporation	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Jiangsu Hansoh Pharmaceutical Group Co., Ltd. ("**Jiangsu Hansoh**")	PRC/ Mainland China	RMB 1,000,000,000	July 1995	–	100%	Pharmaceutical
Shanghai Hansoh BioMedical Co., Ltd. ("**Shanghai Hansen**")	PRC/ Mainland China	RMB 260,000,000	October 2011	–	100%	Pharmaceutical
Hansoh Pharma International Limited ("**Hansoh International**")	HK/Hong Kong	HK$100	December 2015	–	100%	Investment holding and trading
Hansoh (Shanghai) Health Technology Co., Ltd. ("**Hansoh Health**")	PRC/ Mainland China	US$ 90,000,000	September 2019	–	100%	Investment holding and trading
Changzhou Hengbang Pharmaceutical Co., Ltd. ("**Changzhou Hengbang**")	PRC/ Mainland China	RMB 100,000,000	April 2018	–	100%	Pharmaceutical
Hansoh Investment Co., Ltd. ("**Hansoh Investment**")	HK/Hong Kong	–	December 2020	–	100%	Investment holding and trading

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year ended 31 December 2021 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

During the reporting period, six new subsidiaries were controlled by agreement ("**VIE**"), which are not listed in the above table because they didn't principally affect the results for the year ended 31 December 2021 or form a substantial portion of the net assets of the Group.

2.1 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The Group had no interest-bearing bank borrowings based on the Hong Kong Interbank Offered Rate ("**HIBOR**"), the London Interbank Offered Rate ("**LIBOR**") or other Interbank Offered Rates as at 31 December 2021. The Group expected the above amendments have had no impact on the Group's financial statements.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

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

2.3 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*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 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
5 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity over which the Group is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When an investment in an associate or a joint venture is held by, or is held indirectly through, venture capital organisation or similar entities of the Group, the Group may irrevocably elect to measure that investment at fair value through profit or loss in accordance with HKFRS 9 and presented as financial assets at fair value through profit or loss. Such election is made separately for initial recognition of each associate or joint venture.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20-30 years
Leasehold improvements	3 years
Machinery equipment	10 years
Computer and office equipment	3-5 years
Motor vehicles	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents an asset under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	3 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Acquired in-process research and development costs

The Group has acquired rights to develop and commercialise product candidates. Upfront payments that relate to the acquisition of a new drug compound, as well as pre-commercial milestone payments, are immediately expensed as acquired in-process research and development in the period in which they are incurred, provided that the new drug compound did not also include processes or activities that would constitute a business, the drug has not achieved regulatory approval for marketing and, absent obtaining such approval, has no established alternative future use. Milestone payments made to third parties subsequent to regulatory approval are capitalised as intangible assets and amortised over the estimated remaining useful life of the related product. Royalties owed on sales of the products licensed pursuant to the agreements are expensed in the period the related revenues are recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land use right	50 years
Property	3-12 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented in a separate line on the consolidated statement of financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for lease of low-value assets to leases of office equipment that is considered to be low value.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to of ownership of an underlying assets to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement (Continued)

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 1 year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach (Continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 - Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 - Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 - Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision matrix for trade receivables is as follows:

Overdue by	Provision rate
Within 90 days	0%
90 days to 1 year	20%
Over 1 year	100%

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and convertible bonds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is based on estimated selling price less any estimated costs to be incurred to completion and disposal. If the cost of inventories is higher than the net realisable value, the provision of inventories is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (Continued)

(a) *Sale of pharmaceutical products*

Revenue from the sale of pharmaceutical products is recognised at the point in time when control of the asset is transferred to the customer, generally on acceptance of the pharmaceutical products by the customer.

Some contracts for the sale of pharmaceutical products provide customers with rights of return. The rights of return give rise to variable consideration. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(b) *Collaboration arrangements*

The Group's collaborative arrangements may contain more than one performance obligation, including grants of licenses to intellectual property rights, agreement to provide research and development services and other deliverables. The collaborative arrangements do not include a right of return for any deliverable. As part of the accounting for these arrangements, the Group must develop assumptions that require judgement to determine the stand-alone selling price for each performance obligation identified in the contract. In developing the stand-alone selling price for a performance obligation, the Group considers competitor pricing for a similar or identical product, market awareness of and perception of the product, expected product life and current market trends. In general, the consideration allocated to each performance obligation is recognised when the respective obligation is satisfied either by delivering a good or providing a service, limited to the consideration that is not constrained. Non-refundable payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as advances from customers.

Licenses of intellectual property: Upfront non-refundable payments for licensing the Group's intellectual property are evaluated to determine if the license is distinct from the other performance obligations identified in the arrangement. For licenses determined to be distinct, the Group recognises revenues from non-refundable, up-front fees allocated to the license at a point in time, when the license is transferred to the licensee and the licensee is able to use and benefit from the license.

Research and development services: The portion of the transaction price allocated to research and development service performance obligations is recognised as collaboration revenue at a point in time upon delivery of such services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (Continued)

(b) Collaboration arrangements (Continued)

Milestone payments: At the inception of each arrangement that includes development milestone payments, the Group evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestones related to the development-based activities may include initiation of various phases of clinical trials. Due to the uncertainty involved in meeting these development-based targets, they are generally fully constrained at contract inception. The Group will assess whether the variable consideration is fully constrained in each reporting period based on the facts and circumstances surrounding the clinical trials. Upon changes to the constraint associated with the developmental milestones, variable consideration will be included in the transaction price when a significant reversal of revenue recognised is not expected to occur and allocated to the separate performance obligations. Regulatory milestones are fully constrained until the period in which those regulatory approvals are achieved due to the inherent uncertainty with the approval process. Regulatory milestones are included in the transaction price in the period in which regulatory approval is obtained.

Royalties: For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Group recognises revenue at the later of (i) when the related sales occur, and (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Other income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

The Company operates a restricted share unit scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

Dividend distribution to the shareholders is recognised as a liability in the period in which the dividends are approved by the shareholders or directors, where appropriate.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year or period are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses as at 31 December 2021 was RMB924,000 (2020: RMB2,641,000). The amount of tax losses that are not recognised as deferred tax assets as at 31 December 2021 was RMB1,321,659,000 (2020: RMB406,287,000). Further details are contained in note 25 to the financial statements.

Income tax

The Group is subject to income taxes in various regions. As a result, when certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgments based on currently enacted tax laws, regulations and other related policies are required in determining the provision for corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the corporate income tax and tax provisions over the period in which the differences are realised.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the distribution sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the repair and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is recognised if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Determining the amounts of development costs to be capitalised requires the use of judgements and estimation.

4. OPERATING SEGMENT INFORMATION

Information about geographical areas

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND OTHER GAINS, NET

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

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

Performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021 RMB'000	2020 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**10,441**	193,907
After one year	**–**	40,752
	10,441	234,659

The Group enters into collaboration agreements with companies to license out intellectual property. The company may receive development, regulatory and commercial milestone payments and shares for the provision of relevant intellectual property rights and related services in the future. Payments under these agreements generally become due and receivable upon achievement of such milestones or sales. These commitments are not recorded on the consolidated statement of financial position because the achievement and timing of these milestones are not fixed and determinable. When the achievement of these milestones or sales have occurred, the corresponding amounts are recognised in the consolidated financial statements.

6. PROFIT BEFORE TAX

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

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Cost of inventories sold		**590,142**	562,083
Depreciation of property, plant and equipment	13	**257,165**	216,350
Depreciation of right-of-use assets	14	**15,046**	11,880
Amortisation of intangible assets	15	**6,256**	5,044
Impairment of trade receivables, net	17	**817**	(309)
Impairment of inventories, net		**347**	1,850
Operating lease expenses		**29,421**	26,020
Auditors' remuneration		**3,820**	3,760
(Gain)/loss on disposal of items of property, plant and equipment		**(3,935)**	39
Investment income		**(89,758)**	(71,879)
Fair value gains on financial assets at fair value through profit or loss		**(144,493)**	(88,909)
Bank interest income		**(164,093)**	(92,037)
Foreign exchange losses/(gains), net		**9,307**	(63,370)
Employee benefit expense (including directors' remuneration as set out in note 8):			
Wages and salaries		**1,766,702**	1,420,705
Social welfare and other benefits*		**538,234**	317,175
Share-based payments		**65,472**	68,590
		2,370,408	1,806,470

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

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Interest on convertible bonds	**49,554**	–
Interest on lease liabilities	**3,264**	–
	52,818	–

8. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2021	2020
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**17,786**	15,799
Performance related bonuses	**18,378**	19,199
Share-based payments	**2,174**	2,277
Pension scheme contributions	**190**	222
	38,528	37,497
	38,528	37,497

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

		2021	2020
	Note	***RMB'000***	*RMB'000*
Mr. Lin Guoqiang	(ii)	**360**	60
Mr. Chan Charles Sheung Wai	(ii)	**360**	360
Ms. Yang Dongtao	(ii)	**360**	290
		1,080	710

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and a non-executive director

	Note	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Share-based payments *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2021						
Executive directors:						
Ms. Zhong Huijuan	(i)	**7,961**	**7,649**	**–**	**80**	**15,690**
Miss Sun Yuan		**6,667**	**8,148**	**–**	**15**	**14,830**
Mr. Lyu Aifeng		**3,158**	**2,581**	**2,174**	**95**	**8,008**
Non-executive director:						
Ms. Ma Cuifang	(iii)	**–**	**–**	**–**	**–**	**–**
		17,786	**18,378**	**2,174**	**190**	**38,528**
2020						
Executive directors:						
Ms. Zhong Huijuan	(i)	7,961	9,729	–	100	17,790
Miss Sun Yuan		6,333	7,740	–	31	14,104
Mr. Lyu Aifeng		1,505	1,730	2,277	91	5,603
		15,799	19,199	2,277	222	37,497
Non-executive director:						
Ms. Ma Cuifang	(iii)	–	–	–	–	–
		15,799	19,199	2,277	222	37,497

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes:

(i) Ms. Zhong Huijuan is also the chief executive officer of the Company.

(ii) Mr. Lin Guoqiang, Mr. Chan Charles Sheung Wai and Ms. Yang Dongtao were appointed as independent non-executive directors on 31 May 2019.

(iii) Ms. Ma Cuifang resigned as the non-executive director of the Company on 6 September 2021.

9. FIVE HIGHEST PAID EMPLOYEES

For the year ended 31 December 2021, the five highest paid employees of the Group included three directors (2020: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2020: two) highest paid employees who are not directors of the Company are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Salaries, allowances and benefits in kind	**7,273**	5,289
Performance related bonuses	**1,447**	845
Share-based payments	**1,993**	2,088
Pension scheme contributions	**284**	144
	10,997	8,366

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**–**	1
HK$6,500,001 to HK$7,000,000	**2**	–
	2	2

10. 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% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the reporting period.

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

In 2014, Jiangsu Hansoh Pharmaceutical Group Co., Ltd. ("**Jiangsu Hansoh**"), a subsidiary of the Company, was accredited as a "High and New Technology Enterprise" ("**HNTE**") and was entitled to a preferential income tax rate of 15% for a period of three years from 2014 to 2016. Jiangsu Hansoh subsequently renewed its HNTE qualification in 2017 and 2019, and was entitled to the preferential tax rate of 15% from 2020 to 2022.

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

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

	2021 ***RMB'000***	2020 *RMB'000*
Current income tax	**442,238**	692,349
Deferred income tax (note 25)	**144,942**	(162,957)
Tax charge for the year	**587,180**	529,392

10. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdictions in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2021	2020
	RMB'000	*RMB'000*
Profit before tax	**3,300,082**	3,098,299
Tax at the statutory tax rate (25%)	**825,021**	774,574
Preferential income tax rate applicable to certain subsidiaries	**(293,401)**	(233,877)
Additional deductible allowance for qualified research and development costs	**(254,944)**	(189,608)
Adjustments in respect of current income tax of previous years	**(1,133)**	15,143
Income not subject to tax	**(42,191)**	(16,760)
Expenses not deductible for tax	**2,405**	8,705
Accrual for withholding tax	**151,181**	125,649
Tax losses utilised from previous years	**(42)**	–
Tax losses not recognised	**200,284**	45,566
Tax charge at the Group's effective rate	**587,180**	529,392

11. DIVIDENDS

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

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

12. 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 RMB2,712,902,000 (2020: RMB2,568,907,000), and the weighted average number of ordinary shares of 5,921,040,161 (2020: 5,876,243,659) in issue during the year, are adjusted to reflect the rights issue during the year.

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

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

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

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

Notes to the Financial Statements

31 December 2021

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020							
At 1 January 2020							
Cost	1,201,094	7,487	1,055,612	99,977	66,513	234,824	2,665,507
Accumulated depreciation	(307,725)	(7,441)	(480,227)	(77,834)	(51,448)	–	(924,675)
Net carrying amount	893,369	46	575,385	22,143	15,065	234,824	1,740,832
At 1 January 2020, net of accumulated depreciation	893,369	46	575,385	22,143	15,065	234,824	1,740,832
Additions	37,019	716	74,389	56,146	10,512	348,595	527,377
Disposals	(2,399)	–	(6,117)	(173)	–	–	(8,689)
Transfer	89,422	1,722	131,071	9,677	–	(235,693)	(3,801)
Exchange realignment	–	–	(37)	(3)	–	–	(40)
Depreciation provided during the year	(63,307)	(413)	(122,575)	(23,063)	(6,992)	–	(216,350)
At 31 December 2020, net of accumulated depreciation	954,104	2,071	652,116	64,727	18,585	347,726	2,039,329
At 31 December 2020:							
Cost	1,324,808	9,925	1,244,007	164,636	75,733	347,726	3,166,835
Accumulated depreciation	(370,702)	(7,854)	(591,891)	(99,911)	(57,148)	–	(1,127,506)
Net carrying amount	954,106	2,071	652,116	64,725	18,585	347,726	2,039,329
31 December 2021							
At 1 January 2021							
Cost	**1,324,808**	**9,925**	**1,244,007**	**164,636**	**75,733**	**347,726**	**3,166,835**
Accumulated depreciation	**(370,702)**	**(7,854)**	**(591,891)**	**(99,911)**	**(57,148)**	**–**	**(1,127,506)**
Net carrying amount	**954,106**	**2,071**	**652,116**	**64,725**	**18,585**	**347,726**	**2,039,329**
At 1 January 2021, net of accumulated depreciation	**954,106**	**2,071**	**652,116**	**64,725**	**18,585**	**347,726**	**2,039,329**
Additions	**10,776**	**–**	**142,187**	**40,894**	**11,048**	**1,289,088**	**1,493,993**
Disposals	**(23,036)**	**(1,348)**	**(16,795)**	**(315)**	**(495)**	**–**	**(41,989)**
Transfer	**968,827**	**2,693**	**169,802**	**(15,337)**	**–**	**(1,135,113)**	**(9,128)**
Exchange realignment	**–**	**–**	**(12)**	**(459)**	**–**	**(14)**	**(485)**
Depreciation provided during the year	**(67,991)**	**(325)**	**(151,390)**	**(29,841)**	**(7,618)**	**–**	**(257,165)**
At 31 December 2021, net of accumulated depreciation	**1,842,682**	**3,091**	**795,908**	**59,667**	**21,520**	**501,687**	**3,224,555**
At 31 December 2021:							
Cost	**2,278,724**	**10,897**	**1,528,095**	**183,446**	**81,468**	**501,687**	**4,584,317**
Accumulated depreciation	**(436,042)**	**(7,806)**	**(732,187)**	**(123,779)**	**(59,948)**	**–**	**(1,359,762)**
Net carrying amount	**1,842,682**	**3,091**	**795,908**	**59,667**	**21,520**	**501,687**	**3,224,555**

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group was applying for the certificates of ownership for certain properties with a net book value of RMB165,156,092 as at 31 December 2021. The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact the Group had not yet obtained the relevant property title certificates. The Group is not able to assign, transfer or mortgage these assets until these certificates are obtained.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of land use rights and property. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms of 3 years to 12 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

	Leasehold land *RMB'000*	Property *RMB'000*	Total *RMB'000*
As at 1 January 2020	**178,108**	**8,992**	**187,100**
Additions	**–**	**89,269**	**89,269**
Depreciation charge	**(3,950)**	**(7,930)**	**(11,880)**
As at 31 December 2020 and 1 January 2021	**174,158**	**90,331**	**264,489**
Additions	**–**	**7,410**	**7,410**
Disposals	**–**	**(4,443)**	**(4,443)**
Exchange realignment	**–**	**(1,570)**	**(1,570)**
Depreciation charge	**(3,950)**	**(11,096)**	**(15,046)**
As at 31 December 2021	**170,208**	**80,632**	**250,840**

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2021	2020
	RMB'000	*RMB'000*
Carrying amount at 1 January	**92,749**	9,436
New leases	**7,410**	89,269
Disposals	**(4,724)**	–
Accretion of interest recognised during the year	**3,264**	1,645
Exchange realignment	**(1,525)**	–
Payments	**(12,289)**	(7,601)
Carrying amount at 31 December	**84,885**	92,749
Analysed into:		
Current portion	**9,968**	11,039
Non-current portion	**74,917**	81,710

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest on lease liabilities	**3,264**	1,645
Depreciation charge of right-of-use assets	**15,046**	11,880
Expense relating to short-term leases	**29,421**	26,020
Total amount recognised in profit or loss	**47,731**	39,545

15. INTANGIBLE ASSETS

	Software *RMB'000*
31 December 2021	
Cost at 1 January 2021, net of accumulated amortisation	**9,893**
Additions	**13,652**
Disposals	**(247)**
Exchange realignment	**(5)**
Amortisation provided during the year	**(6,256)**
At 31 December 2021	**17,037**
At 31 December 2021:	
Cost	**55,197**
Accumulated amortisation	**(38,160)**
Net carrying amount	**17,037**
31 December 2020	
Cost at 1 January 2020, net of accumulated amortisation	4,568
Additions	10,369
Amortisation provided during the year	(5,044)
At 31 December 2020	9,893
At 31 December 2020:	
Cost	42,225
Accumulated amortisation	(32,332)
Net carrying amount	9,893

16. INVENTORIES

	2021 *RMB'000*	2020 *RMB'000*
Raw materials	**95,187**	79,531
Work in progress	**212,223**	153,280
Finished goods	**102,717**	65,916
	410,127	298,727

17. TRADE AND BILLS RECEIVABLES

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

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

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

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

17. TRADE AND BILLS RECEIVABLES *(Continued)*

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

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

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

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

17. TRADE AND BILLS RECEIVABLES *(Continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

		Overdue by			
	Not overdue	Within 90 days	90 days to 1 year	Over 1 year	Total
At 31 December 2021					
Expected credit loss rate	**0%**	**0%**	**20%**	**100%**	**0%**
Gross carrying amount *(RMB'000)*	**2,952,695**	**291,128**	**4,343**	**200**	**3,248,366**
Expected credit losses *(RMB'000)*	**–**	**–**	**869**	**200**	**1,069**
At 31 December 2020					
Expected credit loss rate	0%	0%	20%	100%	0%
Gross carrying amount *(RMB'000)*	2,736,820	6,650	380	386	2,744,236
Expected credit losses *(RMB'000)*	–	–	76	386	462

At 31 December 2021, the Group endorsed and discounted certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to settle the dividends payable, trade payables and other payables with a carrying amount of RMB302,698,000 (2020: RMB77,511,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated dividends payable, trade payables and other payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2021, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the reporting period and cumulatively.

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021	2020
	RMB'000	*RMB'000*
Prepayments	**44,885**	48,611
Deposits	**8,455**	8,556
Prepaid expenses	**969**	2,111
Value-added tax recoverable	**52,736**	20,112
Other receivables	**53,162**	62,708
	160,207	142,098

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RMB'000	*RMB'000*
Current		
Investments in financial products (note (a))	**2,357,215**	200,000
Non-current		
Other unlisted investments, at fair value (note (b))	**394,967**	28,389

Notes:

(a) The above investments represent investments in certain financial products issued by commercial banks with expected return rates ranging from 1.30% to 3.50% per annum. The returns on all of these financial products are not guaranteed. The fair values of the investments approximate to their costs plus expected return. None of these investments are either past due or impaired.

(b) The amount represents unlisted equity investments in six venture capital which specialise in making equity investments in the life science industry and five innovative biopharmaceutical manufacturers. The Group has an intention of holding them as long-term investments.

20. OTHER FINANCIAL ASSETS

	2021	2020
	RMB'000	*RMB'000*
Investments in financial products	**1,873,773**	9,232,734

The above investments represent investments in certain financial products issued by commercial banks. These financial products had terms of less than one year and had guaranteed annual return rates ranging from 0.39% to 0.47%. None of these investments are either past due or impaired.

21. CASH AND BANK BALANCES

	2021	2020
	RMB'000	*RMB'000*
Cash and bank balances, unrestricted	**2,503,263**	1,514,473
Time deposits with original maturity of less than three months when acquired	**4,215,446**	1,548,843
Time deposits with original maturity of over three months when acquired (note (a))	**7,983,347**	1,221,654
Cash and bank balances	**14,702,056**	4,284,970
Denominated in:		
RMB	**6,810,265**	2,437,355
United States dollar	**7,889,662**	1,021,222
Hong Kong dollar	**1,106**	825,256
Others	**1,023**	1,137
	14,702,056	4,284,970

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods within three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

Note :

(a) The above investments represent time deposits with initial terms of over three months when acquired (including three months) issued by commercial banks with annual return rates ranging from 0.55% to 4.13%. None of these investments are either past due or impaired. None of these deposits are pledged.

22. TRADE AND BILLS PAYABLES

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

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

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

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

23. OTHER PAYABLES AND ACCRUALS

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

24. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Amounts received in advance of delivery of products and services	**22,201**	195,688

Set out below is the amount of revenue and other income recognised from:

	2021 RMB'000	2020 RMB'000
Amounts included in contract liabilities at the beginning of the year	**185,811**	22,643

25. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Decelerated depreciation/ amortisation for tax purposes RMB'000	Unrealised profit from intercompany transactions RMB'000	Accrued expenses RMB'000	Provision for impairment of trade receivables and inventories RMB'000	Total RMB'000
At 1 January 2021	**2,641**	**65,095**	**–**	**50,301**	**1,622**	**119,659**
Deferred tax recognised in the consolidated statement of profit or loss during the year	**(1,717)**	**(6,161)**	**–**	**7,088**	**143**	**(647)**
At 31 December 2021	**924**	**58,934**	**–**	**57,389**	**1,765**	**119,012**
At 1 January 2020	8,451	3,819	40	47,460	1,352	61,122
Deferred tax recognised in the consolidated statement of profit or loss during the year	(5,810)	61,276	(40)	2,841	270	58,537
At 31 December 2020	2,641	65,095	–	50,301	1,622	119,659

25. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Accelerated depreciation for tax purposes *RMB'000*	Accrual for withholding tax *RMB'000*	Total *RMB'000*
At 1 January 2021	**(53,192)**	**(188,277)**	**(241,469)**
Deferred tax recognised in the consolidated statement of profit or loss during the year	**(7,141)**	**(137,154)**	**(144,295)**
At 31 December 2021	**(60,333)**	**(325,431)**	**(385,764)**
At 1 January 2020	(39,461)	(306,428)	(345,889)
Deferred tax recognised in the consolidated statement of profit or loss during the year	(13,731)	118,151	104,420
At 31 December 2020	(53,192)	(188,277)	(241,469)

The Group has no tax losses arising in Hong Kong (2020: Nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in Mainland China of RMB1,126,318,000 (2020: RMB360,791,000) that will expire in one to ten years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in certain subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign invested enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 *RMB'000*	2020 *RMB'000*
Net deferred tax liabilities recognised in the consolidated statement of financial position	**266,752**	121,810

26. CONVERTIBLE BONDS

On 22 January 2021, the Company issued US$600,000,000 zero coupon convertible bonds due 2026. The bonds are convertible at the option of the bondholders into ordinary shares after 4 March 2021 on the basic conversion price of HK$60.00 per share. The bonds are redeemable at the option of the bondholders on 22 January 2024. Any convertible bonds not converted, redeemed or purchased and cancelled will be redeemed by the Company on 22 January 2026 at the price of the par value.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option.

The convertible bonds comprise two components:

The debt component was initially measured at fair value amounting to US$562,489,000 (equivalent to RMB3,634,633,000). It is subsequently measured at amortized cost using the effective interest method after considering the effect of the transaction costs.

The derivative component comprises conversion options and early redemption options (not closely related to the debt component), which were initially measured at fair value amounting to US$37,511,000 (equivalent to RMB242,387,000) and subsequently measured at fair value with changes in fair value recognised in profit or loss.

The total transaction costs of US$4,000,000 (equivalent to RMB25,847,000) related to the issue of the convertible bonds were allocated to the debt and derivative components in proportion to their respective fair values.

The convertible bonds issued during the year have been split into the debt and embedded derivative components as follows:

	Debt component *RMB'000*	Embedded derivative component *RMB'000*	Total *RMB'000*
As at 1 January 2021	–	–	–
Issue of US$600,000,000 convertible bonds	**3,634,633**	**242,387**	**3,877,020**
Allocated transaction costs	**(24,231)**	–	**(24,231)**
Exchange realignment	**(48,625)**	**(1,968)**	**(50,593)**
Interest charged	**49,554**	–	**49,554**
Gains arising on changes of fair value	–	**(108,754)**	**(108,754)**
As at 31 December 2021	**3,611,331**	**131,665**	**3,742,996**

27. SHARE CAPITAL

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

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

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

Note:

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

28. SHARE-BASED PAYMENTS

The Group's Restricted Share Unit Scheme (the "**RSU Scheme**") was adopted pursuant to a resolution passed on 27 May 2019 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 13 June 2029.

The table below discloses movements of the RSU Scheme:

	2021 Number of restricted share unit	2020 Number of restricted share unit
Outstanding as at 1 January	**8,873,900**	–
Granted during the year	**17,542,000**	9,035,000
Forfeited during the year*	**17,763,470**	161,100
Exercised during the year	**3,358,870**	–
Expired during the year	**–**	–
Outstanding as at 31 December	**5,293,560**	8,873,900

* During the year ended 31 December 2021, 17,037,300 granted restricted share units were forfeited because of failure to satisfy the performance condition.

During the year ended 31 December 2021, restricted share units were granted on 12 May 2021. The closing price of the Group's shares immediately before 12 May 2021, the date of grant, was HK$31.20 per share.

The fair value of the restricted share units determined on 12 May 2021 using the Binomial model was HK$23.78 per unit. The following assumptions were used to calculate the fair value of the restricted share units:

	22 April 2020	15 June 2020	12 May 2021
Grant date share price	HK$27.96	HK$36.91	HK$30.18
Exercise price	HK$5.36	HK$5.36	HK$6.40
Exercise life	3 years	3 years	3 years
Exercise volatility	41.9%-46.7%	40.9%-46.2%	31.9%-40.7%
Dividend yield	0%	0%	0%
Risk-free interest rate	0.41%-0.52%	0.34%-0.43%	0.07%-0.21%

28. SHARE-BASED PAYMENTS *(Continued)*

The binomial model has been used to estimate the fair value of the restricted share units. The variables and assumptions used in computing the fair value of the restricted share units are based on the directors' best estimate. Changes in estimates and assumptions may result in changes in fair value of the restricted share units.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share-based payment reserve.

As instructed by the Board, the Trustee is appointed to acquire a certain number of shares from the secondary market for the RSU Scheme, and the purchased shares will be held by the Trustee until such restricted share units are vested in accordance with the provisions of the Scheme.

During the year ended 31 December 2021, the Trustee has acquired 4,000,000 treasury shares for RMB57,969,000, which was deducted from shareholder's equity. A summary of movements in the Company's treasury shares is as follows:

	Number of shares	Treasury shares *RMB'000*
At 1 January 2021	–	–
Shares purchased for share-based payments	4,000,000	57,969
At 31 December 2021	4,000,000	57,969

29. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity.

(a) Share premium

The proceeds from the issue of shares that exceed the nominal value of the shares were credited into the share premium.

(b) Merger reserve

The merger reserve of the Group represents the capital contributions from the then shareholders of the subsidiaries.

(c) Exchange fluctuation reserve

The functional currencies of certain overseas subsidiaries are currencies other than the Renminbi ("**RMB**"). As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into RMB at the weighted average exchange rates for the period. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(d) Statutory surplus reserves

In accordance with the Company Law of the People's Republic of China (the "**PRC**"), a subsidiary of the Group which is a domestic enterprise is required to allocate 10% of its profit after tax, as determined in accordance with the relevant PRC Generally Accepted Accounting Principles, to its statutory surplus reserves until the reserves reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

Except for the transactions mentioned in note 17, there were no major non-cash transactions during the years ended 31 December 2021 and 2020.

(b) Changes in liabilities arising from financing activities

	Dividends payable RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Total RMB'000
At 1 January 2021	**–**	**92,749**	**–**	**92,749**
Changes from financing cash flows:				
Dividend paid to the shareholders	**(380,866)**	**–**	**–**	**(380,866)**
Issue of convertible bonds	**–**	**–**	**3,852,789**	**3,852,789**
Principal portion of lease payments	**–**	**(12,289)**	**–**	**(12,289)**
Total changes from financing cash flows	**(380,866)**	**(12,289)**	**3,852,789**	**3,459,634**
Other changes:				
Dividend declared to the shareholders	**380,866**	**–**	**–**	**380,866**
Interest charged on convertible bonds	**–**	**–**	**49,554**	**49,554**
Gains arising on changes of fair value	**–**	**–**	**(108,754)**	**(108,754)**
Additions to lease liabilities	**–**	**7,410**	**–**	**7,410**
Disposals of lease liabilities	**–**	**(4,724)**	**–**	**(4,724)**
Accretion of interest recognised during the year	**–**	**3,264**	**–**	**3,264**
Exchange realignment	**–**	**(1,525)**	**(50,593)**	**(52,118)**
Total other changes	**380,866**	**4,425**	**(109,793)**	**275,498**
At 31 December 2021	**–**	**84,885**	**3,742,996**	**3,827,881**
At 1 January 2020	4,200,000	9,436	–	4,209,436
Changes from financing cash flows:				
Dividend paid to the then shareholders	(4,200,000)	–	–	(4,200,000)
Principal portion of lease payments	–	(7,601)	–	(7,601)
Total changes from financing cash flows	(4,200,000)	(7,601)	–	(4,207,601)
Other changes:				
Dividend declared to the shareholders	–	–	–	–
Additions to lease liabilities	–	89,269	–	89,269
Accretion of interest recognised during the year	–	1,645	–	1,645
Total other changes	–	90,914	–	90,914
At 31 December 2020	–	92,749	–	92,749

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within operating activities	**29,421**	26,020
Within investing activities	**–**	–
Within financing activities	**12,289**	7,601
	41,710	33,621

31. COMMITMENTS

Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	2021	2020
	RMB'000	*RMB'000*
Contracted, but not provided for acquisition of property, plant and equipment	**202,836**	339,900

Other business agreements

The Group enters into collaboration agreements with institutions and companies to license intellectual property. The Company may be obligated to make future development, regulatory and commercial milestone payments and royalty payments on future sales of specified products associated with its collaboration agreements. Payments under these agreements generally become due and payable upon achievement of such milestones or sales. These commitments are not recorded on the consolidated statement of financial position because the achievement and timing of these milestones are not fixed and determinable. When the achievement of these milestones or sales have occurred, the corresponding amounts are recognised in the consolidated financial statements.

32. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Name of and relationship with a related party

Name	**Relationship**
江蘇恒瑞醫藥股份有限公司 (“**Jiangsu Hengrui Medicine**”)	Investee of a close family member of a director

(b) Transactions with a related party

The following transactions were carried out with a related party:

	2021	2020
	RMB'000	*RMB'000*
Revenue from a collaboration agreement		
Jiangsu Hengrui Medicine	**–**	28,302
Expense for services received		
Jiangsu Hengrui Medicine	**208**	18,874

The directors of the Company are of the opinion that the above sales to related parties were conducted in the ordinary course of business and on normal commercial terms.

(c) Compensation of key management personnel of the Group:

	2021	2020
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**47,683**	28,872
Performance related bonuses	**32,761**	16,902
Share-based payments	**31,892**	33,411
Pension scheme contributions	**3,161**	1,607
Total compensation paid to key management personnel	**115,497**	80,792

Further details of directors' emoluments are included in note 8 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period were as follows:

2021

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
		Debt investments		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	3,247,297	3,247,297
Bills receivable	–	428,693	–	428,693
Financial assets at fair value through profit or loss	2,752,182	–	–	2,752,182
Financial assets included in prepayments, other receivables and other assets	–	–	114,353	114,353
Other financial assets	–	–	1,873,773	1,873,773
Cash and bank balances	–	–	14,702,056	14,702,056
	2,752,182	428,693	19,937,479	23,118,354

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
		Designated as such upon initial recognition	
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	248,330	–	248,330
Financial liabilities included in other payables and accruals	2,133,486	–	2,133,486
Lease liabilities	84,885	–	84,885
Convertible bonds – debt component	3,611,331	–	3,611,331
Convertible bonds – embedded derivative instruments	–	131,665	131,665
	6,078,032	131,665	6,209,697

33. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2020

Financial assets

	Financial assets at fair value through profit or loss, mandatorily designated as such *RMB'000*	Financial assets at amortised cost *RMB'000*	Financial assets at fair value through other comprehensive income *RMB'000*	Total *RMB'000*
Trade receivables	–	2,743,774	–	2,743,774
Bills receivable	–	–	383,686	383,686
Financial assets at fair value through profit or loss	228,389	–	–	228,389
Financial assets included in prepayments, other receivables and other assets	–	91,376	–	91,376
Other financial assets	–	9,232,734	–	9,232,734
Cash and bank balances	–	4,284,970	–	4,284,970
	228,389	16,352,854	383,686	16,964,929

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bills payables	124,382
Financial liabilities included in other payables and accruals	1,907,361
Lease liabilities	92,749
Dividends payable	–
	2,124,492

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Financial assets

	Carrying amount		Fair value	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets at fair value through profit or loss	**2,752,182**	228,389	**2,752,182**	228,389
Debt investments at fair value through other comprehensive income	**428,693**	383,686	**423,251**	379,875
	3,180,875	612,075	**3,175,433**	608,264

Financial liabilities

	Carrying amount		Fair value	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Convertible bonds	**3,742,996**	–	**3,742,996**	–

Management has assessed that the fair values of cash and cash equivalents, time deposits with original maturity of over three months when acquired, trade and bills receivables, trade and bills payables, other financial assets, deposits and other receivables, financial liabilities included in other payables and accruals and dividends payable approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at 31 December 2021 were assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The Group held bills receivable within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Bills receivable are measured at fair value through other comprehensive income. The Group has estimated the fair value of bills receivable by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair value of unlisted equity investments designated at fair value through profit or loss has been estimated at the most recent transaction price which equals to the original cost amounting to RMB394,967,000.

The Group invests in financial assets at fair value through profit or loss, which represent wealth management products issued by banks. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021 and 2020:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Bills receivable held both to collect cash flows and to sell	Discounted cash flow method	Discount rate per annum	4.13% to 4.57% (2020: 4.13% to 4.57%)	5% (2020: 5%) increase/ decrease in discount would result in decrease/increase in fair value by 0.5% (2020: 0.5%)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
As at 31 December 2021				
Financial assets at fair value through profit or loss	**–**	**2,357,215**	**394,967**	**2,752,182**
Bills receivable	**–**	**–**	**423,251**	**423,251**
As at 31 December 2020				
Financial assets at fair value through profit or loss	–	228,389	–	228,389
Bills receivable	–	–	379,875	379,875

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021				
Convertible bonds – embedded derivative instruments	–	–	**131,665**	**131,665**

The Group did not have any financial liabilities measured at fair value as at 31 December 2020.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
As at 31 December 2021				
Convertible bonds – debt component	–	–	**3,611,331**	**3,611,331**

The Group did not have any financial liabilities for which fair values are disclosed as at 31 December 2020.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, time deposits with original maturity of over three months when acquired, financial assets at fair value through profit or loss and other financial assets. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. The Group's businesses are located in Mainland China and nearly all transactions are conducted in RMB. As nearly all of the assets and liabilities of subsidiaries in Mainland China were denominated in RMB, these subsidiaries were not subject to significant foreign currency risk. As at 31 December 2021, the Group's assets and liabilities denominated in currencies other than RMB were mainly held by the Company and certain subsidiaries incorporated outside Mainland China which had currencies other than RMB as their functional currencies. The Company and those subsidiaries incorporated outside Mainland China also held bank balances denominated in currencies other than their functional currencies, from which foreign currency exposures arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in profit for the year *RMB'000*
2021			
If the RMB weakens against the United States dollar	**5**	**8,817**	**7,494**
If the RMB strengthens against the United States dollar	**(5)**	**(8,817)**	**(7,494)**
2020			
If the RMB weakens against the United States dollar	5	4,320	3,672
If the RMB strengthens against the United States dollar	(5)	(4,320)	(3,672)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk

The carrying amounts of cash and cash equivalents, time deposits with original maturity of over three months when acquired, other financial assets, financial assets at fair value through profit or loss, trade receivables and other receivables represent the Group's maximum exposure equal to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with cash and cash equivalents, time deposits with original maturity of over three months when acquired, other financial assets and financial assets at fair value through profit or loss since they are substantially held in reputable state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade receivable periodically and management also has monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group measures the loss allowance for bills receivable at an amount equal to lifetime ECLs. 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.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experiences do not indicate significantly different loss patterns for different segments, the loss allowance based on the past due status is not further distinguished between the Group's different customer bases.

The Group also expects that there is no significant credit risk associated with amounts due from related parties and other receivables since counterparties to these financial assets have no history of default.

For other financial assets, amounts due from related parties and other receivables, impairment is measured at 12-month expected credit losses as there has been no significant increase in credit risk since initial recognition.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

	2021				
	Within 3 months or on demand *RMB'000*	**3 months to 1 year** *RMB'000*	**1 year to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
Lease liabilities	**2,976**	**10,143**	**42,212**	**44,739**	**100,070**
Financial liabilities included in other payables and accruals	**2,133,486**	**–**	**–**	**–**	**2,133,486**
Trade and bills payables	**247,069**	**205**	**1,056**	**–**	**248,330**
Convertible bonds	**–**	**–**	**3,877,020**	**–**	**3,877,020**
	2,383,531	**10,348**	**3,920,288**	**44,739**	**6,358,906**

	2020				
	Within 3 months or on demand *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	2,418	8,621	34,875	46,835	92,749
Financial liabilities included in other payables and accruals	1,907,361	–	–	–	1,907,361
Trade and bills payables	124,382	–	–	–	124,382
	2,034,161	8,621	34,875	46,835	2,124,492

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of the reporting periods were as follows:

	2021	2020
	RMB'000	*RMB'000*
Total liabilities	**7,131,326**	2,916,462
Total assets	**27,160,171**	20,792,060
Debt-to-asset ratio	**26%**	14%

36. CONTINGENT LIABILITIES

As at 31 December 2021, the Group and the Company were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, the Group and the Company expect would materially adversely affect their financial position or results of operations.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Note	2021 *RMB'000*	2020 *RMB'000*
NON-CURRENT ASSETS			
Investments in subsidiaries		**134,062**	68,590
Financial assets at fair value through profit or loss		**129,563**	28,389
Amounts due from subsidiaries		**16,573,629**	11,450,454
Total non-current assets		**16,837,254**	11,547,433
CURRENT ASSETS			
Amounts due from subsidiaries		**239,218**	104,531
Prepayments, other receivables and other assets		**830**	3,930
Cash and bank balances		**169**	1,866,030
Total current assets		**240,217**	1,974,491
CURRENT LIABILITIES			
Other payables and accruals		**81,456**	72,022
Total current liabilities		**81,456**	72,022
NET CURRENT ASSETS		**158,761**	1,902,469
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,996,015**	13,449,902
NON-CURRENT LIABILITIES			
Convertible bonds		**3,742,996**	–
Amounts due to subsidiaries		**60,005**	–
Total non-current liabilities		**3,803,001**	–
NET ASSETS		**13,193,014**	13,449,902
EQUITY			
Share capital		**52**	52
Treasure shares		**(57,969)**	–
Reserves	(a)	**13,250,931**	13,449,850
Total equity		**13,193,104**	13,449,902

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

(a) A summary of the Company's reserves is as follows:

	Share premium *RMB'000*	Share option reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits/ (accumulated losses) *RMB'000*	Total *RMB'000*
At 1 January 2020	10,836,794	–	240,111	(10,162)	11,066,743
Profit for the year	–	–	–	113,138	113,138
Exchange differences related to foreign operations	–	–	(970,593)	–	(970,593)
Total comprehensive income for the year	–	–	(970,593)	113,138	(857,455)
Issue of shares by private placement	3,181,517	–	–	–	3,181,517
Share-based payments	–	68,590	–	–	68,590
Share issue expenses	(9,545)	–	–	–	(9,545)
Dividends declared	–	–	–	–	–
At 31 December 2020	14,008,766	68,590	(730,482)	102,976	13,449,850
At 1 January 2021	**14,008,766**	**68,590**	**(730,482)**	**102,976**	**13,449,850**
Profit for the year	**–**	**–**	**–**	**406,211**	**406,211**
Exchange differences related to foreign operations	**–**	**–**	**(304,847)**	**–**	**(304,847)**
Total comprehensive income for the year	**–**	**–**	**(304,847)**	**406,211**	**101,364**
Issue of shares by private placement	**15,111**	**–**	**–**	**–**	**15,111**
Share-based payments	**–**	**65,472**	**–**	**–**	**65,472**
Dividends declared	**–**	**–**	**–**	**(380,866)**	**(380,866)**
At 31 December 2021	**14,023,877**	**134,062**	**(1,035,329)**	**128,321**	**13,250,931**

The Company may pay dividends out of its share premium account and retained earnings.

As at 31 December 2021, the Company had distributable reserves for share premium of RMB14,023,877,000 (2020: RMB14,008,766,000).

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2022.

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"AGM"	the annual general meeting of the Company proposed to be held on Wednesday, June 1, 2022
"Apex Medical"	APEX MEDICAL COMPANY LTD., a company incorporated in the BVI as a limited liability company and wholly-owned by Mr. Cen Junda
"Articles of Association"	the articles of association of the Company (as amended from time to time), conditionally adopted on May 27, 2019
"associate"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Bcr-Abl TKI"	BCR-ABL protein tyrosine kinase inhibitor (TKI)
"BD"	business development
"Blossom Bioscience"	Blossom Bioscience, Ltd.
"Board"	the board of Directors of the Company
"Board Diversity Policy"	the Board Diversity Policy of the Company adopted on November 26, 2018
"BVI"	the British Virgin Islands
"Changzhou Hengbang"	Changzhou Hengbang Pharmaceutical Company Limited* (常州恒邦藥業有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
"China" or "the PRC"	the People's Republic of China
"close associate"	has the meaning ascribed thereto under the Listing Rules
"CNS"	central nervous system
"Code Provisions"	provisions under Corporate Governance Code
"Company" or "our Company"	Hansoh Pharmaceutical Group Company Limited, a company incorporated in the Cayman Islands with limited liability, its shares are listed and traded on the Main Board of the Stock Exchange
"connected person"	has the meaning ascribed thereto under the Listing Rules
"connected transaction"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Stellar Infinity, Sunrise Investment and Ms. Zhong Huijuan

Definitions

"Convertible Bonds"	On January 22, 2021, the Company completed the issuance of US$600 million of zero-coupon convertible bonds due in 2026 to professional investors (has the meaning given to it in the Securities and Futures Ordinance (Cap. 571) and the Securities and Futures (Professional Investors) Rules (Cap. 571D)), which are listed and traded on the Stock Exchange with bond code of 40546
"core connected person"	has the meaning ascribed thereto under the Listing Rules
"Cormorant Asset Management"	Cormorant Asset Management
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Director Nomination Policy"	the Director Nomination Policy of the Company adopted on November 26, 2018
"EGFR-TKI"	epidermal growth factor receptor (EGFR)-tyrosine kinase inhibitor (TKI)
"ESG"	environmental, social and governance
"ESG Committee"	the environmental, social and governance committee of the Board
"Fortune Peak"	Fortune Peak (HS) Company Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"GMP"	Good Manufacturing Practice
"Group", "our Group", "we" or "us"	the Company and its subsidiaries and, in respect of the period before the Company became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Shanghai Hansoh"	Shanghai Hansoh Biomedical Co. , Ltd.* (上海翰森生物醫藥科技有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
"Hansoh International"	Hansoh Pharma International Limited (翰森製藥國際有限公司), a company incorporated in Hong Kong as a limited liability company and a wholly-owned subsidiary of the Company
"HK$" or "Hong Kong dollar(s)" or "cent"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Jiangsu Hansoh"	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.* (江蘇豪森藥業集團有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company

Definitions

"Keros"	Keros Therapeutics, Inc.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NHSA"	the National Healthcare Security Administration of the People's Republic of China (中華人民共和國國家醫療保障局)
"NMPA"	the National Medical Products Administration of the People's Republic of China (中華人民共和國國家藥品監督管理局)
"Nomination Committee"	the nomination committee of the Board
"Non-Competition Undertaking"	a deed of non-competition undertaking dated May 27, 2019 entered into between Controlling Shareholder(s) and the Company
"NRDL"	the 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) released by the NHSA
"NSCLC"	non-small cell lung cancer
"Olix"	Olix Pharmaceuticals, Inc.
"Prospectus"	the prospectus of the Company dated May 31, 2019
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the period of 12 months from January 1, 2021 to December 31, 2021
"RSU Scheme"	the scheme conditionally approved and adopted by the Company on May 27, 2019, which has granted restricted share units ("**RSUs**") upon completion of the Global Offering, the details of which are set out in the section headed "Statutory and General Information" in Appendix IV of the Company's Prospectus
"SCYNEXIS"	SCYNEXIS, Inc.

Definitions

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of the Company with nominal value of HK$0.00001 each, which are listed and traded on the Stock Exchange
"Shareholder(s)"	holder(s) of Shares
"Silence Therapeutics"	Silence Therapeutics plc
"State Council"	the State Council of the People's Republic of China (中華人民共和國國務院)
"Stellar Infinity"	Stellar Infinity Company Ltd., a company incorporated in the BVI as a limited liability company and held as to 100% by Sunrise Investment
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy and Development Committee"	the strategy and development committee of the Board
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Sunrise Investment"	Sunrise Investment Advisors Limited, a company incorporated in the BVI with limited liability and held as to 100% by the Sunrise Trust Trustee
"Sunrise Trust"	Sunrise Trust, a discretionary trust set up by Miss Sun, of which the Sunrise Trust Trustee acts as the trustee pursuant to a trust deed dated January 28, 2016
"Sunrise Trust Trustee"	Harmonia Holding Investing (PTC) Limited
"U.S. FDA"	the United States Food and Drug Administration
"%"	percentage

* *For identification purposes only*