CSPC PHARMACEUTICAL GROUP LIMITED
石藥集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1093)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Directors (the "Board") of CSPC Pharmaceutical Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2023.

FINANCIAL HIGHLIGHTS

(in RMB'000, unless otherwise stated)

	2023	2022	Change
Revenue by business units:			
Finished drugs	**25,637,134**	24,520,067	+4.6%
Bulk products	**3,641,328**	4,031,947	-9.7%
Functional food and others	**2,171,647**	2,384,890	-8.9%
Total revenue	**31,450,109**	30,936,904	+1.7%
Profit attributable to shareholders			
Underlying profit *(Note)*	**6,275,253**	6,105,725	+2.8%
As reported	**5,873,325**	6,091,390	-3.6%
Earnings per share *(RMB cents)*			
Based on underlying profit attributable to shareholders			
– Basic	**52.86**	51.23	+3.2%
– Diluted	**52.85**	51.23	+3.2%
Based on profit attributable to shareholders			
– Basic	**49.47**	51.11	-3.2%
– Diluted	**49.47**	51.11	-3.2%
Final dividend per share *(HK cents)*	**14.00**	11.00	+27.3%
Full-year dividend per share *(HK cents)*	**28.00**	21.00	+33.3%

Note: Underlying profit attributable to shareholders, a non-HKFRS measure, represents profit before taking into account fair value changes on financial assets measured at fair value through profit or loss, employee share-based compensation expense and gains on deemed disposal of partial interests in an associate and a joint venture. Reconciliation between the reported and underlying profit is provided on pages 25 and 26 of this announcement.

CHAIRMAN'S STATEMENT

RESULTS

For the year ended 31 December 2023, the revenue of the Group amounted to RMB31,450 million, an increase of 1.7% as compared to 2022.

The underlying profit attributable to shareholders, excluding fair value changes on financial assets measured at fair value through profit or loss, employee share-based compensation expense, and gains on deemed disposal of partial interests in an associate and a joint venture, amounted to RMB6,275 million, an increase of 2.8% as compared to 2022.

The profit attributable to shareholders amounted to RMB5,873 million, a decrease of 3.6% as compared to 2022.

DIVIDEND

The Board recommended a final dividend of HK14 cents per share for 2023. Subject to the approval of shareholders at the forthcoming annual general meeting, the proposed final dividend will be paid on 26 June 2024 to shareholders whose names appear on the register of members on 5 June 2024. Together with an interim dividend of HK14 cents per share, the full-year dividend for 2023 amounted to HK28 cents per share, an increase of 33.3% as compared to 2022.

INDUSTRY REVIEW

In 2023, the pharmaceutical industry has gradually resumed to normal amid the ease of the pandemic. In March, the Center for Drug Evaluation of the NMPA issued the "Center for Drug Evaluation Guidelines for Expediting the Review of Innovative Drug's Marketing Approval Applications (Trial)". This not only guides enterprises to explore higher clinical values and foster innovation by setting higher requirements for the clinical development and approval of innovative drugs, but also improves the review and approval mechanism to expedite the launch of innovative drugs.

The 2023 National Reimbursement Drug List (NRDL) was released in December, of which 126 new drugs were added and 1 drug was removed. The overall price decrease was relatively moderate, with an average reduction of 61.7% for negotiated drugs. With the optimisation and improvement in medical insurance policies, the certainty of growth of domestic innovative drugs has increased significantly.

Driven by national policies and increased corporate investments in research and development (R&D) in recent years, the number of innovative drugs approved for launch in this year has significantly increased compared to last year. The scale of out-licensing cooperation by Chinese pharmaceutical companies has reached new heights, and at the same time, a number of innovative drugs have also been successfully approved to launch in the European and the U.S. markets. This indicates a gradual improvement in R&D capabilities for domestic innovative drugs and further alignment of the Chinese pharmaceutical companies with international standards.

BUSINESS REVIEW

In 2023, the Group adhered to the operation strategy of "strong innovation, strong team, strong management and stable growth. In the pursuit of continuous improvement of competitiveness, the Group has also achieved stable growth in its performance.

In 2023, the finished drug business maintained steady growth. Several new products of recent years such as Mingfule (明復樂®) (recombinant human TNK tissue-type plasminogen activator for injection), Yiluoda (伊絡達®) (nintedanib capsules) and Anfulike (安複利克®) (amphotericin B cholesteryl sulfate complex for injection) achieved rapid sales ramp-up during the year. In addition, several new drugs with market potential have been approved for launch, including Jinlitai (津立泰®) (narlumosbart injection), Duoenyi (多恩益®) (irinotecan hydrochloride liposome injection) and Ouyuexin (歐悦欣®) (desvenlafaxine succinate extended-release tablets). Mingfule, a third-generation thrombolytic drug, also obtained marketing approval for treatment of acute ischemic stroke in February 2024. Duoenda (多恩達®) (mitoxantrone hydrochloride liposome injection), Copiktra (克必妥®) (duvelisib capsules), Haiyitan (海益坦®) (glumetinib tablets) and Ouyuexin were successfully included into the NRDL through negotiation.

In addition to continuing to increase R&D investments, the Group was also committed to improving R&D efficiency during the year. The R&D and clinical development of innovative drugs were progressing as planned. Currently, more than 60 key product candidates are in the clinical stage, many of which are with global patents and high market value. The approval and continuous ramp-up in sales of new products have laid a solid foundation for the growth of the Group's sales, and have also led to a more balanced product portfolio across various therapeutic areas.

During the year, the Group accelerated our pace of internationalisation by establishing an international headquarters in Singapore and an overseas market division for formulation drugs, striving to expedite the expansion for high-end complex formulation drugs (i.e. liposomes) as well as biological preparations (including monoclonal and bispecific antibodies) in markets including Europe, the US, Japan and South Korea; carrying out product registration and customer development for various types of formulation drugs across Asia, Africa and Latin America; and setting up companies along the "Belt and Road" countries such as Singapore, Thailand, Malaysia and Vietnam to promote product registration and sales, with the goal of increasing the contribution of overseas business.

In terms of business expansion, the Group has completed three major product licensing projects during the year, among them the exclusive license agreement signed with Corbus Pharmaceuticals, Inc. in the U.S. for SYS6002 (Nectin-4 ADC) marks the global recognition of the Group's innovation capabilities. This is an important milestone for the Group's self-developed innovative products expanding into overseas market.

CSPC attaches great importance to our ESG standard and is committed to creating a green, harmonious and sustainable development path, improving corporate governance and actively giving back to society. The MSCI ESG rating of the Company has remained at A for three consecutive years.

OUTLOOK

Looking forward, the Group will continue to focus on in-house pipelines through our existing eight innovative R&D platforms, adhere to a clinical demand-oriented approach and endeavor to expand into new therapeutic targets. Besides, the Group will also expand into emerging fields such as gene therapy and cell therapy. In terms of internationalisation, the Group aims to enhance the contribution of its overseas business through models such as proactive selection of advantageous projects for simultaneous development overseas, optimisation of clinical development pathway, acceleration of the application and launch of innovative drugs in overseas markets, as well as cooperation with overseas commercial enterprises. In terms of business development, the Group will continue to pursue extensive and in-depth cooperation with innovative biotech companies and scientific research institutions through the win-win model of "Pharma+Biotech". Furthermore, the Group will endeavor to seize opportunities arising from policies and adhere to the "dual-driver" of innovation and internationalisation. The Group is also committed to the philosophy of "All for Better Medicine, All for a Healthier World", striving to become an innovative pharmaceutical company with international influence.

APPRECIATION

I would like to take this opportunity to express my gratitude to all staff for their dedication and diligence, and to all our shareholders, business partners and customers for their continued support.

CAI Dongchen
Chairman

20 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is an innovation-driven pharmaceutical enterprise with integrated research and development (R&D), manufacture and sales capabilities. With the corporate mission of "All for Better Medicine, All for a Healthier World", the Group is committed to developing innovative products to address unmet clinical needs and provide innovative therapies for patients.

The Group has built an internationalised R&D team with more than 2,000 professionals and key R&D centres located in Shijiazhuang, Shanghai, Beijing and the US respectively, focusing on the key therapeutic areas such as oncology, psychiatry and neurology, cardiovascular, immunology and respiratory, digestion and metabolism, and anti-infectives. Eight innovative technology R&D platforms have been established, encompassing nano-formulation, messenger RNA (mRNA), small interfering RNA (siRNA), monoclonal antibody, bispecific antibody and antibody–drug conjugates (ADC), which provide strong support for the R&D in innovative drugs. The Group currently has approximately 130 innovative drug projects under development, including over 40 large molecule projects, over 40 small molecule projects and over 30 new-formulation projects. It is expected that approximately 50 innovative drugs will be filed for marketing approval in the next 5 years, which will provide continuous momentum for the Group's development.

The Group has strong commercialisation capabilities. It currently has established a professional sales team of over 10,000 individuals, with extensive coverage in medical institutions across the country. We are now actively stepping up our efforts in lower-tier market penetration and developing the county-level markets to provide quality drugs to the grass roots. Through patient-centric and clinical-data driven academic promotion, the Group's sales team has successfully nurtured a number of market-leading core products. The Group's strong sales team and successful commercialisation experience will safeguard the sales performance of its innovative drugs on the market.

BUSINESS REVIEW

Finished Drug Business

In 2023, the finished drug business maintained stable growth. The Group continued to adopt the strategies of hospital channel development, lower-tier market penetration, retail channel expansion, expansion of the drugs' clinical applications and professional academic promotion to drive the growth of finished drug products. During the year, market development activities of the newly launched drugs were initiated smoothly, and a number of drugs were selected at national volume-based procurement (VBP) or included in the National Reimbursement Drug List (NRDL), which boosted sales and led to a more balanced product portfolio.

The finished drug business recorded a revenue of RMB25,637 million (including licence fee income of RMB34.70 million) for the year, an increase of 4.6% compared to the previous year. Sales by major therapeutic areas are as follows:

Therapeutic Area	**Sales in 2023** *(RMB' million)*	**Change**
Nervous system	9,089	+12.1%
Oncology	6,139	-16.4%
Anti-infectives	4,236	+19.7%
Cardiovascular	2,440	-15.5%
Respiratory system	1,560	+124.0%
Digestion and metabolism	889	+17.8%
Others	1,249	+24.1%

Nervous System

Major products include NBP (恩必普®) (butylphthalide soft capsules and butylphthalide and sodium chloride injection), Shuanling (舒安靈®) (pentoxifylline extended-release tablets and pentoxifylline injection), Enliwei (恩理維®) (lacosamide injection and lacosamide tablets), Enxi (恩悉®) (pramipexole dihydrochloride tablets), Oulaining (歐來寧®) (oxiracetam capsules and oxiracetam for injection) and Oushuan (歐舒安®) (paliperidone extended-release tablets).

During the year, NBP maintained stable growth, while Shuanling, Enliwei and Enxi saw rapid sales ramp-ups leading to a significant increase in revenue.

- NBP is a Class 1 new chemical drug and a patent-protected exclusive product indicated for the treatment of acute ischemic stroke. The product is recommended by many professional organisations and guidelines and is one of the major drugs for this indication. In 2023, the new NRDL price of NBP was implemented, which has further improved the accessibility of the product. Its expansion into new indications is also actively underway to provide further room for growth.

- Shuanling is a non-selective phosphodiesterase inhibitor that can comprehensively improve microcirculation through multiple mechanisms of action. While seeking expansion in the fields of neurology and endocrine, Shuanling further developed the nephrology field, with sales continuing to achieve rapid growth.

- Enliwei is an anti-epileptic drug. The injectable was included into the 2022 NRDL through price bidding, while the tablets was selected in the seventh batch of national VBP. Sales achieved rapid growth through the strategy of "low prices in exchange for volume".

- Enxi is used for the treatment of the signs and symptoms of adult idiopathic Parkinson's disease, and is a product selected in VBP. During the year, its market coverage was further expanded by penetrating into lower-tier markets and developing retail channels.

- Oushuan, a drug used for the treatment of schizophrenia, has the lowest daily treatment cost among paliperidone products currently available. The product was launched during the year with marketing activities smoothly initiated.

Oncology

Major products include Jinyouli (津優力®) (PEG-rhG-CSF injection), Duomeisu (多美素®) (doxorubicin hydrochloride liposome injection), Keaili (克艾力®) (paclitaxel for injection (albumin-bound)), as well as new products launched in recent years including Duoenda (多恩達®) (mitoxantrone hydrochloride liposome injection), Duoenyi (多恩益®) (irinotecan hydrochloride liposome injection), Jinlitai (津立泰®) (narlumosbart injection), Copiktra (克必妥®) (duvelisib capsules) and Geruite (戈瑞特®) (lenvatinib mesilate capsules).

During the year, Jinyouli maintained steady growth and Duomeisu remained stable, but sales of Keaili decreased significantly due to the price cut at VBP. The new product Duoenyi saw a sales ramp-up after obtaining marketing approval during the year.

- Jinyouli is the first long-acting white blood cell booster drug developed in China. It is a Class 1 therapeutic biological drug used to prevent and treat incidence of infection and pyrexia due to low neutrophil count in patients receiving chemotherapy. The product is unanimously recommended by domestic and foreign guidelines and has won multiple national awards. With the implementation of the results of Guangdong Alliance VBP during the year, sales volume of the product achieved rapid growth in the implemented provinces. Marketing efforts currently focus on promoting the long-acting formulation, expanding the coverage in core hospitals in prefecture-level cities, lower-tier market penetration and driving sales ramp-up in VBP regions in order to maintain sustainable growth of the product.

- Duomeisu is a drug developed by the National Key Laboratory for New Pharmaceutical Preparations and Excipients of the Group and supported by the Major New Drug Development project in China. It is recommended by the US National Comprehensive Cancer Network (NCCN) Guidelines and the Chinese Society of Clinical Oncology (CSCO) for the first-line treatment of lymphoma, ovarian cancer, relapsed or metastatic breast cancer, soft tissue sarcoma and AIDS-related Kaposi's sarcoma. Duomeisu is a leading brand of liposomal doxorubicin in China. The Group will continue to carry out professional academic promotion, enhance lower-tier market penetration and leverage on government policies (such as the VBP by the Beijing-Tianjin-Hebei "3+N" Alliance) to increase market coverage.

- Keaili is a new-generation paclitaxel chemotherapy drug with recommendation in domestic and foreign guidelines and expert consensus for therapeutic areas such as breast cancer, lung cancer, ovarian cancer, gastric cancer, pancreatic cancer and esophageal cancer. During the year, the renewed VBP price of the product was implemented successively in each province, which resulted in a significant decline in sales. Leveraging on the low-price advantage, the Group will promote usage of Keaili in more therapeutic areas and continue to promote the replacement of conventional paclitaxel drugs and enhance lower-tier market penetration to expand the market potential.

- Duoenda, a Class 2 new chemical drug developed by the Group for the treatment of relapsed/refractory peripheral T-cell lymphoma, is the world's first mitoxantrone nanodrug on the market with patents in several countries. The product was launched in January 2022, and was included into the CSCO Guidelines for Lymphoma in April 2022 which recommends its usage for the treatment of relapsed/refractory peripheral T-cell lymphoma (stage 2A) and NKT cell lymphoma (stage 2B). Through professional academic promotion and continuous provision of supplemental medical evidence, the product has received positive market response since its launch. Currently, it is being used by more than 670 hospitals. In December 2023, Duoenda was successfully included in the NRDL through negotiation, which will have a positive impact on its sales in the future. The product is also actively exploring and studying in the field of hematological tumors including T-cell lymphoma, diffuse large B-cell lymphoma, acute myeloid leukemia and multiple myeloma, and solid tumors including nasopharyngeal cancer.

- Duoenyi is the first generic irinotecan hydrochloride liposome injection in China. It was approved in September 2023 for being used in combination with 5-fluorouracil (5-FU) and leucovorin (LV) for the treatment of patients with metastatic pancreatic cancer that has progressed after receiving gemcitabine treatment. The product is recommended by the CSCO, China Anti-Cancer Association (CACA) and National Comprehensive Cancer Network (NCCN) guidelines. The CSCO Guidelines recommends (Class I recommendation) the combination regimen for the second-line and above treatment of metastatic pancreatic cancer. The Group has established a dedicated sales team for Duoenyi, and the product has experienced rapid sales growth since its launch. The marketing efforts currently focus on gastrointestinal stromal tumors, including pancreatic cancer, biliary tract tumors, colorectal cancer, and will expand into solid tumors such as small cell lung cancer in the future.

- Jinlitai is a Class 1 new drug with marketing approval obtained in September 2023. It is the world's first IgG4 RANKL inhibitor independently developed by the Group, used for giant cell tumor of bone, tumor bone metastasis and the improvement of osteoporosis. Compared with denosumab, it has a faster onset of action (median time to tumor response of 0.95 month for narlumosbart compared to 3.1 months for denosumab) and good safety profile (incidence of skeletal-related events is only 3.1% and incidence of grade ≥3 hypocalcemia is lower). Currently, the Group is actively carrying out marketing activities for the product and striving for expanding market coverage rapidly.

- Copiktra is the first approved dual PI3K δ / γ dual-target inhibitor in China. It achieves a balance between efficacy and safety by specifically acting on the δ and γ dual targets of PI3K signaling pathway. The product is the only PI3K inhibitor jointly recommended by the CSCO and NCCN guidelines for the treatment of relapsed and refractory peripheral T-cell lymphoma. In December 2023, Copiktra was successfully included into the NRDL through negotiation, which will have a positive impact on its sales in the future.

- Geruite can be indicated for patients with unresectable hepatocellular carcinoma who have not received systemic therapy, and patients with progressive, locally advanced or metastatic radioactive iodine-refractory differentiated thyroid cancer. It is recognised by the CSCO, CACA and NCCN guidelines. Geruite currently focuses on liver cancer, and will expand into endometrial cancer, kidney cancer, thyroid cancer, biliary tract tumors and other tumor types in the future. The product saw a rapid growth in sales after being selected in the seventh batch of national VBP in 2022.

Anti-infective

Major products include Anfulike (安複利克®) (amphotericin B cholesteryl sulfate complex for injection), Shuluoke (舒羅克®) (meropenem for injection), Nuomoling (諾莫靈®) (amoxicillin capsules), Xianqu (先曲®) (ceftriaxone sodium for injection), Xianwu (先伍®) (cefazolin sodium for injection), Zhongnuo Lixin (中諾立新®) (cefuroxime sodium for injection) and Weihong (維宏®) (azithromycin tablets/capsules/enteric tablets, azithromycin for injection).

During the year, sales of antibiotic products soared due to the strong market demand and the selection of a number of products in national VBP or provincial alliance VBP. Sales of Anfulike has doubled. Continuous academic promotion has led to a better understanding of the clinical benefits of the product among doctors.

- Anfulike is recommended jointly by the State Ministry of Industry and Health Care Commission as a "clinically urgent, market-deficient" drug. It was granted drug registration approval after passing a priority review in March 2021 for the treatment of patients with invasive fungal infections. With modification of the product's lipid structure, the incidence of nephrotoxicity and hypokalaemia is reduced. It can be used by patients with renal impairment or drug toxicity which precludes the use of effective dose of amphotericin B, or patients who have failed in prior amphotericin B deoxycholate treatment. Anfulike has high accessibility as it has been included in the NRDL. The Group strives to enhance doctors' understanding of the clinical advantage of the product, expand its market coverage and develop its clinical application in hematology, severe illness, respiratory and infection departments to achieve rapid sales growth.

Cardiovascular

Major products include Xuanning (玄寧®) (maleate levamlodipine tablets and dispersible tablets), Mingfule (明復樂®) (recombinant human TNK tissue-type plasminogen activator for injection), Encun (恩存®) (clopidogrel bisulfate tablets), Daxinning (達新寧®) (dronedarone hydrochloride tablets), Abikang (阿比康®) (aspirin enteric tablets), Yishuning (意舒寧®) (nifedipine controlled-release tablets) and Meiluolin (美洛林®) (ticagrelor tablets).

During the year, the sales of Xuanning and Encun declined due to the impact of VBP, while the sales of Mingfule, Yishuning, Daxinning and Meiluolin recorded satisfactory growth.

- Xuanning is mainly used for the treatment of hypertension, chronic stable angina and variant angina, and is a product in the NRDL and essential drug list. Following the inclusion of other levamlodipine products on the market in the eighth batch of national VBP in 2023, the sales of Xuanning in public hospital channel have been affected to a certain extent. Leveraging the leading brand name, the Group will adopt all-channel promotion strategy, deepen the expansion into lower-tier and private markets, and enhance promotion in retail markets and online sales channel to ensure the steady development of the product.

- Mingfule is a third-generation thrombolytic drug with proprietary intellectual property mainly used for the thrombolysis treatment in patients with acute myocardial infarction within 6 hours of onset. It is a preferred thrombolytic drug recommended by authoritative guidelines and consensuses, including the Guidelines for the Rational Medication for Thrombolytic Treatment of Acute ST-Segment Elevation Myocardial Infarction (2nd Edition), Chinese Expert Consensus on Microcirculation Protection Strategies for Emergency PCI in Patients with ST-Segment Elevation Myocardial Infarction, and Chinese Expert Consensus on Prehospital Thrombolytic Therapy for ST-Segment Elevation Myocardial Infarction. In February 2024, Mingfule obtained marketing approval as a thrombolytic therapy for the treatment of patients with acute ischemic stroke, and was included in the Chinese Cerebrovascular Disease Clinical Management Guidelines 2023 and Chinese Guideline of Endovascular Treatment for Acute Ischemic Stroke 2023, which has created a larger market potential.

Respiratory

Major products include Yiluoda (伊絡達®) (nintedanib capsules), Qixin (琦昕®) (oseltamivir phosphate capsules), Qixiao (琦效®) (arbidol hydrochloride tablets), Nuoyian (諾一安®) (montelukast sodium tablets/chewable tablets), Zhongnuo Like (中諾立克®) (ambroxol hydrochloride oral solution) and Zhongnuoping (中諾平®) (ambroxol hydrochloride extended-release tablets).

During the year, benefiting from effective promotion strategies and booming demand, the sales of Yiluoda, Qixin, Qixiao and Nuoyian increased significantly as compared to the previous year.

- Yiluoda is the first-to-market generic nintedanib drug in China, which is indicated for the treatment of systemic sclerosis-associated interstitial lung disease (SSc-ILD) and progressive fibrosing interstitial lung diseases (PF-ILD). The product has achieved continuous rapid sales growth since its launch in 2022. In January 2024, the indication of nintedanib esilate soft capsules for the treatment of progressive pulmonary fibrosis (PPF) was included into the NRDL. This is the third indication of the drug being included in the NRDL (after idiopathic pulmonary fibrosis and systemic sclerosis-related interstitial lung disease), further improving the product's accessibility.

- Qixin is the preferred drug for the prevention and treatment of influenza, and a product in the NRDL and essential drug list. The product achieved rapid sales growth after being selected in the seventh batch of national VBP in July 2022.

Digestion and metabolism

Major products include Linmeixin (林美欣®) (glimepiride dispersible tablets), Shuanglexin (雙樂欣®) (metformin hydrochloride tablets/extended-release tablets), Xinweiping (欣維平®) (acarbose tablets), Oubeituo (歐倍妥®) (esomeprazole capsules) and Debixin (得必欣®) (omeprazole capsules/tablets/injection).

During the year, Oubeituo and Shuanglexin saw rapid sales growth, while the sales of Linmeixin and Xinweiping declined due to the impact of VBP.

Other therapeutic areas

Major products include Oubida (歐必達®) (apremilast tablets), Gujie (固杰®) (tofacitinib citrate extended-release tablets), Gubang (固邦®) (alendronate sodium tablets/enteric tablets), Xianpai (先派®) (omeprazole sodium for injection) and Qimaite (奇邁特®) (tramadol hydrochloride tablets).

Bulk Product Business

Vitamin C

In 2023, sales amounted to RMB1,929 million. Despite sales volume remaining stable during the year, sales decreased by 23.7% as compared to the previous year due to the impact of weakening product prices. The Group will focus on product quality and expand into the high-end market in order to achieve competitive differentiation. Meanwhile, the Group will also actively develop overseas sales networks and establish overseas offices to further increase its market share.

Antibiotics

In 2023, sales amounted to RMB1,712 million, representing an increase of 13.9%, which was mainly driven by the increase in the sales volume of azithromycin and other products. The Group will adopt a market-oriented approach, continue to enhance its product chain and optimise its sales, production, quality and registration in order to enhance its ability to expand into the high-end market.

Functional Food and Other Businesses

In 2023, sales amounted to RMB2,172 million, representing a year-on-year decrease of 8.9%. During the year, despite moderate growth in volume, caffeine products recorded a decrease in sales as driven by a decline in selling price. The sales of Guoweikang (果維康®) (vitamin C health supplement product) also slightly declined. The Group will leverage the development and application of new technology and other measures, and optimise its product mix to continue to enhance its competitiveness.

R&D

The Group firmly believes that innovative R&D is the most important driver for future development and continues to increase its investment in R&D. In 2023, R&D expenses amounted to RMB4,830 million (charged to the income statement), representing a year-on-year increase of 21.2% and accounting for approximately 18.8% of the revenue from the finished drug business. Currently, more than 60 key drug candidates have entered clinical trial or registration stage, of which 7 candidates have filed marketing approval application and 18 candidates have entered pivotal clinical trial stage.

Regulatory Updates:

Since the beginning of 2023, 4 innovative drugs (including new indication) and 1 special preparation have obtained marketing approval, 5 marketing applications for innovative drug/special preparation have been accepted, 17 innovative drug candidates have obtained clinical trial approval for their first indication, 24 additional indications have obtained clinical trial approval, 8 generic drugs have obtained registration approvals and 1 Breakthrough Therapy Designation have been obtained in China. In North America, 2 marketing applications for innovative drugs/special preparations have been accepted, 5 innovative drug candidates have obtained clinical trial approval for their first indication and 1 Fast Track Designation has been obtained.

China

- In March 2023, the SARS-CoV-2 mRNA vaccine (brand name: Duentai (度恩泰®)) containing BA.5 key mutations independently developed by the Group was included for emergency use in China for the prevention of COVID-19 caused by the infection of SARS-CoV-2, becoming the first mRNA vaccine launched in China.

- In September 2023, Class 1 new biological drug Narlumosbart for Injection (JMT103) (brand name: Jinlitai (津立泰®)) for the treatment of giant cell tumor of bone that is unresectable or where surgical resection is likely to result in severe morbidity obtained marketing approval. The product is the first IgG4 subtype fully human monoclonal antibody against RANKL obtaining marketing approval worldwide.

- In September 2023, Irinotecan Hydrochloride Liposome Injection (brand name: Duoenyi (多恩益®)), being used in combination with 5-fluorouracil (5-FU) and leucovorin (LV), for the treatment of patients with metastatic pancreatic cancer that has progressed after receiving gemcitabine treatment obtained marketing approval.

- In December 2023, the bivalent COVID-19 mRNA vaccine (XBB.1.5 +BQ.1) (SYS6006.32) independently developed by the Group was included for emergency use in China. It has broad-spectrum cross-immunity against current and possible future circulating variants.

- In February 2024, Mingfule® (recombinant human TNK tissue-type plasminogen activator for injection) (rhTNK-tPA) obtained marketing approval for the thrombolytic treatment in patients with acute ischemic stroke. It is the first approval for this indication of this product type in China, and the second approved indication of the product.

- In March 2023, the application for marketing approval for Enlonstobart for Injection (recombinant fully human anti-PD-1 monoclonal antibody) (SG001) for the treatment of recurrent or metastatic cervical cancer patients with positive PD-L1 expression who have failed at least first-line platinum-based chemotherapy was accepted with eligibility for conditional approval pathway.

- In March 2023, the application for marketing approval for Amphotericin B Liposome for Injection for the treatment of invasive fungal infection was accepted.

- In April 2023, the application for marketing approval for Class 1 new chemical drug Prusogliptin Tablets (DBPR108) for the treatment of type 2 diabetes was accepted.

- In June 2023, the application for marketing approval for Omalizumab for Injection for the treatment of chronic spontaneous urticaria was accepted.

- In December 2023, the application for marketing approval for the indication of Meloxicam Nanocrystal Injection for the treatment of moderate-to-severe pain in adults (used alone or in combination with analgesics other than nonsteroidal anti-inflammatory drugs) was accepted.

- In November 2023, KN026 (recombinant humanized anti-HER2 bispecific antibody for injection) for the indication of combination chemotherapy for the treatment of HER-2 positive locally advanced, recurrent or metastatic gastric cancer (including gastroesophageal junction cancer) which has failed standard first-line treatment (trastuzumab combination chemotherapy) was granted Breakthrough Therapy Designation.

- 17 innovative drug candidates have obtained clinical trial approval for their first indication and 24 additional indications have obtained clinical trial approval:

First Indication

Drug Candidate	**Indication**
SYH2045 (PRMT5 inhibitor)	Advanced malignant tumors
Meloxicam nanocrystal injection	Moderate-to-severe pain in adults
Clevidipine injectable emulsion	Hypertension
Octreotide long-acting injection	Acromegaly
NBL-020 (TNFR2 monoclonal antibody)	Advanced solid tumors
SYS6010 (ADC)	Advanced solid tumors
SYH2051 (ATM inhibitor)	Solid tumors
JMT203 (GFRAL monoclonal antibody)	Tumor cachexia
Semaglutide injection	Type 2 diabetes
NBL-028 (CLDN6-CD137 bispecific antibody)	Advanced tumors
SYS6006.32 (bivalent COVID-19 mRNA vaccine)	Prevention of COVID-19
Secukinumab injection (IL-17A)	Moderate-to-severe plaque psoriasis
Dextromethorphan hydrobromide and quinidine sulphate tablets	Pseudobulbar palsy
SYH2038 (SOS1)	Advanced malignant tumors
SYH2053 injection (PCSK9 siRNA)	Primary hypercholesterolaemia or mixed dyslipidaemia in adults
SYS6011 (CD73 inhibitor)	Advanced solid tumors
Dexmedetomidine hydrochloride nasal spray	Sedation before invasive procedures

Additional Indication

Drug Candidate	Indication
KN026 for injection	In combination with docetaxel (albumin-bound) for the treatment of first-line HER2-positive recurrent and metastatic breast cancer
Docetaxel for injection (albumin-bound)	In combination with SG001 (PD-1) for the perioperative treatment of non-small cell lung cancer
Docetaxel for injection (albumin-bound)	In combination with SG001 (PD-1) and cisplatin with concomitant radiotherapy for the treatment of locally advanced esophageal cancer
Docetaxel for injection (albumin-bound)	In combination with cisplatin with concomitant radiotherapy and in sequential combination with SGO01 (PD-1) for the treatment of locally advanced non-small cell lung cancer
Docetaxel for injection (albumin-bound)	In combination with cisplatin with concomitant radiotherapy for the treatment of locally advanced unresectable non-small cell lung cancer
Docetaxel for injection (albumin-bound)	Neoadjuvant therapy for luminal breast cancer
SYH2055 tablets	Prevention of COVID-19
Enlonstobart for injection (SG001)	In combination with chemotherapy for first-line cervical cancer
Paclitaxel cationic liposome for injection	Arterial perfusion therapy in patients with advanced solid tumors who have failed standard treatment
Simmitinib tablets	In combination with SG001 (PD-1) for the treatment of solid tumors
Simmitinib tablets	In combination with irinotecan liposome for the treatment of second-line and above esophageal cancer
JMT101 injection	In combination with SG001 and irinotecan for treatment of colorectal cancer
ALMB-0166 injection	Acute ischemic stroke
Batoclimab	Proliferative lupus nephritis
CM310 injection	Chronic obstructive pulmonary disease
CM326 injection	Chronic obstructive pulmonary disease
JMT601 for injection	In combination with different regimens – CD20-positive diffuse large B-cell lymphoma
SYHX1901 tablets	Vitiligo
SYHX1901 tablets	Alopecia areata
Octreotide long-acting injection	Gastroenteropancreatic neuroendocrine tumors
Sirolimus for injection (albumin-bound)	In combination with endocrine therapy for second-line and above HR-positive HER2-negative advanced breast cancer
Cisplatin micelle injection	In combination with paclitaxel for the treatment of advanced solid tumors
JMT101 for injection	In combination with docetaxel (albumin-bound) for the treatment of second-line squamous cell non-small cell lung cancer
SYSA1801 for injection	In combination with SG001 and CAPOX for the first-line treatment of CLDN18.2-positive, HER2-negative unresectable locally advanced or metastatic gastric or gastroesophageal junction adenocarcinoma

- Since the beginning of 2023, 8 generic drugs have obtained drug registration approvals, namely Apremilast Tablets, Mirabegron Extended-release Tablets, Paliperidone Extended-release Tablets, Tedizolid Phosphate for Injection, Rabeprazole Sodium Enteric-coated Tablets, Lenvatinib Mesilate Capsules, Desvenlafaxine Succinate Extended-release Tablets and Sacubitril Valsartan Sodium Tablets. Desvenlafaxine Succinate Extended-release Tablets, a first-to-market generic drug, has enriched the Group's product pipeline in psychiatry and neurology. It was successfully included into the NRDL in December 2023 through negotiation.

North America

- In January 2023, NBL-020 for injection (fully human monoclonal antibody targeting TNFR2) obtained clinical trial approval in the US.

- In March 2023, CPO301 for injection (ADC) obtained clinical trial approval in the US.

- In June 2023, CPO301 for injection (ADC) obtained clinical trial approval in Canada.

- In August 2023, NBL-028 for injection (Claudin-6/CD137 bispecific antibody) obtained clinical trial approval in the US.

- In August 2023, CPO301 for injection (ADC) obtained Fast Track Designation for the treatment of EFGR-mutated non-small cell lung cancer that is resistant to the third-generation TKI osimertinib in the US.

- In November 2023, the Abbreviated New Drug Application (ANDA) for Amphotericin B Liposome for Injection was filed successfully with the US FDA.

- In December 2023, the New Drug Application (NDA) for Irinotecan Liposome Injection was successfully filed with the US FDA.

- In January 2024, JMT106 Injection (bispecific fusion protein targeting GPC3 and interferon receptors) obtained clinical trial approval in the US.

Major Clinical Trials Progress:

Trastuzumab injection

- In January 2023, the first patient was dosed in a phase III clinical study of the combination of trastuzumab and docetaxel for the neoadjuvant treatment of early or locally advanced HER2-positive breast cancer in China. The study is currently in the enrollment stage.

Docetaxel for injection (albumin-bound)

- In February 2024, the first phase III clinical study comparing to Taxotere® for the treatment of locally advanced or metastatic gastric adenocarcinoma or gastroesophageal junction adenocarcinoma that has failed previous first-line treatments was initiated in China. The study is currently in the enrollment stage.

Duoenda (Mitoxantrone hydrochloride liposome injection)

- In March 2023, the first patient was dosed in a phase III clinical study for the treatment of patients with recurrent metastatic nasopharyngeal carcinoma who have failed platinum-based therapy in China. The study is currently in the enrollment stage.

CM310 (IL-4Rα antibody)

- In March 2023, a phase II/III clinical study for the treatment of moderate-to-severe asthma was initiated in China. The first patient was dosed in April 2023. The study is currently in the enrollment stage.

SYHX2011 (Paclitaxel for injection (albumin-bound) II)

- In April 2023, the first patient was dosed in a phase III clinical study of SYHX2011 comparing to paclitaxel for injection (albumin-bound) for the treatment of advanced breast cancer in China. Enrollment was completed in March 2024.

Ustekinumab injection

- In April 2023, the first patient was dosed in a phase III clinical study of ustekinumab injection comparing to the originator drug for the treatment of moderate-to-severe plaque psoriasis in China. Enrollment was completed in August 2023.

TG103 injection (GLP-1 receptor agonists)

- In November 2023, the first patient was dosed in a phase III clinical study for weight loss in China. Enrollment was completed in January 2024.

Semaglutide injection

- In February 2024, the first phase III clinical study for the treatment of type 2 diabetes was initiated in China. The study is currently in the enrollment stage.

Clevidipine injectable emulsion

- In April 2023, the first patient was dosed in a phase III clinical study for the treatment of hypertensive emergencies in China. Enrollment was completed in March 2024.

Enlonstobart for injection (recombinant fully human anti-PD-1 monoclonal antibody) (SG001)

- In February 2023, the first patient was dosed in a phase III clinical study for the first-line treatment of PD-L1-positive advanced cervical cancer in China. The study is currently in the enrollment stage.

DP303c (recombinant humanized anti-HER2 monoclonal antibody–MMAE conjugate for injection)

- In November 2023, a phase II clinical study for the treatment of third-line and above HER2-positive breast cancer in China met its predefined endpoint.

JMT101 (recombinant humanized anti-epidermal growth factor receptor monoclonal antibody for injection)

- In January 2024, a phase II clinical study for the treatment of second-line and above EGFR exon 20 insertion mutations in non-small cell lung cancer in China met its predefined endpoint.

Publication of Major Clinical Trial Results:

Mingfule (recombinant human TNK tissue-type plasminogen activator for injection)

- In February 2023, the results of a phase III clinical trial study (TRACE-2) for the treatment of acute ischemic stroke were published in *The Lancet* (IF: 202.731), an international medical journal, demonstrating that Mingfule is non-inferior to alteplase in efficacy and has a good safety profile. This is the first time that the registration trial of a Chinese neurological and cerebrovascular drug was published in a top international journal, marking a major breakthrough in the treatment of cerebral infarction in China.

- In April 2023, the *National Clinical Guideline for Stroke for the UK and Ireland (2023 Edition)* cited the clinical study results of TRACE-2 as an important reference for updating thrombolytic treatment in the acute phase of ischemic stroke, which heralds the influence of clinical research independently designed in China on thrombolytic drugs locally developed in China on international diagnosis and treatment standards.

JMT101 (recombinant humanized anti-epidermal growth factor receptor monoclonal antibody for injection)

- In June 2023, the results of a phase Ib clinical study on EGFR resistance mutations in lung cancer were published in the international journal *Nature Communications* (IF: 17.69), demonstrating that JMT101 in combination with osimertinib has good efficacy and a good safety profile for the treatment of EGFR 20ins non-small cell lung cancer.

- In March 2024, the results of a phase II clinical trial (BECOME) of JMT101 in combination with osimertinib for the treatment of patients with locally advanced or metastatic non-small cell lung cancer carrying EGFR exon 20 insertion mutations were orally presented at the European Lung Cancer Congress 2024 (2024 ELCC), demonstrating the high potential efficacy of JMT101 in combination with osimertinib in patients with non-small cell lung cancer with EGFR exon 20 insertion mutations, and that the overall safety is controllable.

Duentai (SARS-CoV-2 mRNA vaccine)

- From November 2023 to February 2024, multiple clinical study results of the first-generation COVID-19 mRNA vaccine were published in *Human Vaccines & Immunotherapeutics* and other international journals, demonstrating that the vaccine has good protective efficacy and immunogenicity as well as a good safety profile, and that it has a certain protective effect against XBB mutant strains.

- In March 2024, the results of a phase I clinical study of the bivalent COVID-19 mRNA vaccine (XBB.1.5/BQ.1) (SYS6006.32) were published in the international journal *Vaccine*, demonstrating that the vaccine has a good safety profile and good immunogenicity, and can produce cross-immunity against multiple mutant strains.

Ouyuexin (desvenlafaxine succinate extended-release tablets)

- In February 2023, the results of a phase III clinical study for the treatment of depression were published in the international journal *Journal of Affective Disorders*, demonstrating that Ouyuexin can comprehensively improve symptoms of depression, anxiety and pain, its efficacy is non-inferior to the active control drug Duloxetine Hydrochloride Enteric Capsules, and its overall safety profile is good.

TG103 injection (GLP-1 receptor agonists)

- In April 2023, the results of a phase Ia study initiated in healthy subjects in China were published in the international journal *European Journal of Pharmaceutical Science*, demonstrating the safety and tolerance of TG103.

SYSA1801 (CLDN18.2 ADC)

- In June 2023, the results of a phase I clinical study for the treatment of advanced malignant solid tumors with CLDN18.2 expression were presented during a poster session at the 2023 American Society of Clinical Oncology (ASCO) Annual Meeting. Preliminary results indicate that SYSA1801 demonstrates promising anti-tumor efficacy in treating advanced malignant solid tumors with CLDN18.2 expression, especially in gastric cancer.

ALMB-0168 (Cx43 hemichannel antibody agonist)

- In June 2023, the clinical data in a phase I dose-escalation trial for the treatment of osteosarcoma were presented during a poster session at the 2023 ASCO Annual Meeting. Preliminary results indicate that ALMB-0168 demonstrates encouraging efficacy and tolerable safety in patients with metastatic or unresectable osteosarcoma after receiving standard chemotherapy.

SYS6002 (Anti-Nectin-4 monoclonal antibody–drug conjugate for injection)

- In January 2024, the results of a phase I clinical study for the treatment of advanced solid tumors were presented at the 2024 ASCO-GU Conference (No. B622). Preliminary results indicate that SYS6002 demonstrates clear efficacy signals and good tolerability in advanced solid tumors such as cervical cancer and urothelial cancer.

SYHA1813 (VEGFR/CSF1R inhibitor)

- In October 2023, the results of a phase I clinical study for treating patients with recurrent or advanced solid tumors were orally presented at the European Society for Medical Oncology (ESMO) Congress 2023 (No. 506MO). The preliminary results indicate that SYHA1813 demonstrates an encouraging objective response and good tolerability in subjects with recurrent meningioma.

Prusogliptin Tablets (DBPR108)

- In January 2024, the results of a phase III clinical study of the monotherapy for the treatment of diabetes were published in the international journal *Diabetes, Obesity & Metabolism*. The results demonstrate that the hypoglycemic efficacy of DBPR108 tablets is significantly better than that of the placebo group and non-inferior to the active group of sitagliptin phosphate tablets. In addition, the safety profile of DBPR108 tablets is similar to that of the placebo group and that of the active group of sitagliptin phosphate tablets.

Clinical Pipeline Overview:

Registration and Pivotal Trial Stage

Drug candidate	Type	Target	Indication	Status
Enlonstobart (SG001)	Biological drug (monoclonal antibody)	PD-1	Cervical cancer	Submission of marketing application
Prusogliptin tablets (DBPR108)	Chemical drug	DPP-4 inhibitor	Type 2 diabetes	Submission of marketing application
Recombinant anti-IgE monoclonal antibody for injection	Biological drug (monoclonal antibody)	IgE	Chronic spontaneous urticaria	Submission of marketing application
Meloxicam nanocrystal injection	Nanodrug	COX-2	Moderate-to-severe pain in adults	Submission of marketing application
Amphotericin B liposome for injection	Nanodrug	Anti-infective, nonspecific drug	Invasive fungal infection	Submission of marketing application
Batoclimab (HBM9161)	Biological drug (monoclonal antibody)	FcRn	Myasthenia gravis	Pivotal trial
Recombinant humanized anti- HER2 monoclonal antibody–MMAE conjugate for injection (DP303c) (SYSA1501 for injection)	Biological drugs (ADC)	HER2 ADC	Breast cancer	Pivotal trial
Recombinant humanized anti-epidermal growth factor receptor monoclonal antibody for injection (JMT101)	Biological drug (monoclonal antibody)	EGFR	Non-small cell lung cancer	Pivotal trial
KN026 for injection	Biological drug (bispecific antibody)	HER2 bispecific antibody	Gastric cancer	Pivotal trial
KN026 for injection	Biological drug (bispecific antibody)	HER2 bispecific antibody	Breast cancer	Pivotal trial
Pertuzumab for injection	Biological drug (monoclonal antibody)	HER2	Breast cancer	Pivotal trial
TG103 injection	Biological drug (monoclonal antibody)	GLP1-Fc	Weight loss	Pivotal trial
TG103 injection	Biological drug (monoclonal antibody)	GLP1-Fc	Diabetes	Pivotal trial
CM310 for injection	Biological drug (monoclonal antibody)	IL-4R α	Asthma	Pivotal trial
Ustekinumab injection (SYSA1902)	Biological drug (monoclonal antibody)	IL-12, IL-23	Psoriasis	Pivotal trial
Clevidipine injectable emulsion	Nanodrug	Calcium channel blocker	Hypertension	Pivotal trial
SYHX2011	Nanodrug	Microtubule inhibitor	Breast cancer	Pivotal trial
Daunorubicin cytarabine liposome for injection	Nanodrug	DNA polymerase inhibitor	Leukemia	Pivotal trial
Docetaxel for injection (albumin-bound)	Nanodrug	Microtubule inhibitor	Gastric cancer	Pivotal trial
Docetaxel for injection (albumin-bound)	Nanodrug	Microtubule inhibitor	Pancreatic cancer	Pivotal trial
Semaglutide injection	Chemical drug	GLP-1 receptor agonist	Diabetes	Pivotal trial

Drug candidate	Type	Target	Indication	Status
Mitoxantrone hydrochloride liposome injection	Nanodrug	Cell-cycle nonspecific drug	Nasopharyngeal cancer	Pivotal trial
Narlumosbart for injection (recombinant fully human anti-RANKL monoclonal antibody for injection) (JMT103)	Biological drug (monoclonal antibody)	RANKL	Bone metastasis of malignant solid tumors	Pivotal trial

Other products in clinical stage

Drug candidate	Type	Therapeutic area
Ammuxetine hydrochloride enteric tablets	Chemical drug	Psychiatry
ALMB0166 for injection	Biological drug (monoclonal antibody)	Central nervous system
SYHA1402 tablets, SYHA1805 tablets, SYH2053 injection	Chemical drug	Metabolism
Octreotide long-acting injection	Chemical drug	Endocrine
SYHX1901 tablets	Chemical drug	Immunity
CM326 for injection, NBL-012 for injection (China and US), Secukinumab injection	Biological drug (monoclonal antibody)	Immunity
Prostaglandin liposome for injection	Nanodrug	Cardiovascular
Simmitinib hydrochloride tablets, SYHA1801 capsules, SYHA1803 capsules, SYHA1807 capsules, SYHA1811 tablets, SYHA1813 oral liquid, SYHA1815 tablets, SYHX1903 tablets, SYHX2001 tablets, SYHX2005 tablets, SYHX2009 tablets, SYHX2043 tablets, SYHX2045 tablets, SYH2051 tablets	Chemical drug	Oncology
ALMB0168 for injection, NBL-015 for injection (China and US), NBL-020 for injection (China and US), JMT203, SYS6011 for injection, NBL-028 for injection (China and US)	Biological drug (monoclonal antibody)	Oncology
JMT601 for injection (China and US)	Biological drug (bispecific antibody)	Oncology
SYS6002 for injection, SYSA1801 for injection, SYS6010 (ADC) (China and US)	Biological drug (ADC)	Oncology
Paclitaxel cationic liposome for injection, sirolimus for injection (albumin-bound), SYHA1908 for injection, cisplatin micelle injection	Nanodrug	Oncology

Awards and Patents:

- In March 2023, the integration and reorganisation of the National Key Laboratory for New Pharmaceutical Preparations and Excipients of the Group was approved. It is one of the three national key laboratories in Hebei Province.

- In September 2023, the Group was rated number one in the pharmaceutical industry in the evaluation results of the 2022 National Enterprise Technology Center.

- In September 2023, the National Nano Intelligent Manufacturing Industry Innovation Center co-established by the Group obtained approval, becoming the only one in the nanofield and the tenth national-level industrial innovation center approved.

- In October 2023, the Group was rated by the Ministry of Industry and Information Technology as a key company in the pharmaceutical industry chain responsible for the two key tasks of complex injectables and nucleic acid drugs.

- During the year, 27 international PCT applications and 238 patent applications (143 domestic and 95 overseas) were filed, and 81 patents (38 domestic and 43 overseas) were granted.

The Group is expected to file marketing approval application for more than 50 innovative and new-formulation drugs, and to launch over 60 generic drugs within the next five years. Leveraging the Group's superior technology platforms, it has been actively engaging in product and indication planning. Our nanotechnology platform focuses on technologies such as liposomes, nanoemulsions, nanocrystals and albumin with more than 30 products under development, including daunorubicin cytarabine liposome for injection, docetaxel for injection (albumin-bound), meloxicannarine crystals, clevidipine injectable emulsion and paclitaxel cationic liposome for injection, covering therapeutic areas of anti-tumor, cardiovascular and analgesia. Our mRNA technology platform focuses on expansion in (i) the field of infectious diseases, with the ongoing development of new preventive mRNA vaccines against infectious pathogens; (ii) the field of anti-tumor, with the development of therapeutic tumor vaccines, including HPV and EBV vaccines; and (iii) the applications of cell therapy, such as CAR-T cell therapy based on LNP transfection. Our small nucleic acid platform has been deeply engaged in the field of metabolic chronic diseases, with PCSK9 siRNA products already in clinical trials, as well as a number of preclinical small nucleic acid products under rapid development. Our R&D in small molecule drugs focuses on building PROTAC, LYTAC and AI-based screening platforms. In addition, several advanced technology platforms, including the monoclonal antibody platform, bispecific antibody platform and ADC platform, have rich product pipelines in many fields including anti-tumor, respiratory and autoimmune, and psychiatric and neurological, thus providing strong support to the Group's high-quality growth in the future.

Business Development

While continuing to enhance in-house innovation and R&D capabilities, the Group is also driving forward its business development efforts. We will seek to further strengthen our product pipelines and create new growth drivers through cooperation with biotech companies having high-quality drug candidates. In addition, we will actively promote internationalisation of the business by out-licensing the Group's innovative products.

In-Licensing:

- In March 2023, Haiyitan (glumetinib tablets), an oral, potent, highly-selective MET tyrosine kinase inhibitor (TKI) and Class 1 new chemical drug, received conditional approval for marketing in China. It was also successfully included in the NRDL through price negotiation in December of the same year. The Group has obtained the commercialisation rights to promote the product in Greater China (including Hong Kong, Macau and Taiwan) through a licencing.

- In June 2023, the Group and Pfizer signed a strategic partnership agreement to launch a local brand of the COVID-19 oral antiviral therapeutic treatment Nirmatrelvir/Ritonavir in China.

Out-Licensing:

- In January 2023, the Group entered into an exclusive license agreement with Corbus Pharmaceuticals, Inc. in the U.S. to out-license the development and commercialisation rights of the Group's SYS6002 (Nectin-4 ADC) in the US, EU countries, the UK, Canada, Australia, Iceland, Liechtenstein, Norway and Switzerland. The Group will receive upfront payments of US$7.5 million and is also entitled to receive up to US$130 million in potential development and regulatory milestone payments and up to US$555 million in potential sales milestone payments, as well as tiered sales royalties.

FINANCIAL REVIEW

Financial Results

Revenue and Gross Profit Margin

Revenue for the year amounted to RMB31,450 million, an increase of 1.7% compared to RMB30,937 million in 2022. The increase was mainly due to the growth in the finished drug business. Gross profit margin for the year decreased by 1.4 percentage point to 70.5%, which was mainly attributable to the change in revenue mix and decline in selling prices of vitamin C products.

Other Income

Other income for the year amounted to RMB626 million (2022: RMB604 million), mainly consisting of interest income of RMB260 million (2022: RMB243 million) and government grant income of RMB216 million (2022: RMB195 million).

Other gains or losses, net

A net loss of RMB105 million was recorded for the year (2022: net gain of RMB291 million), mainly consisting of fair value loss on financial assets measured at FVTPL of RMB211 million (2022: gain of RMB101 million) and net foreign exchange gain of RMB103 million (2022: net gain of RMB118 million).

Operating Expenses

Selling and distribution expenses for the year amounted to RMB9,141 million, a decrease of 11.6% compared to RMB10,337 million in 2022. During the year, the Group continued to expand the market coverage of each product and to actively promote the newly launched products. With strengthened control over expenses and enhanced efficiency of marketing activities, a lower expense ratio was achieved.

Administrative expenses for the year amounted to RMB1,190 million, an increase of 1.4% compared to RMB1,173 million in 2022. The expense ratio remained stable.

R&D expenses for the year amounted to RMB4,830 million, an increase of 21.2% compared to RMB3,987 million in 2022. The increase was primarily attributable to the increased spending on ongoing and newly initiated clinical trials.

Income tax expense

Income tax expenses for the year amounted to RMB1,317 million (2022: RMB1,350 million), which represented provision of income tax expense based on the taxable income of each subsidiary and PRC withholding tax on dividend distributions by certain subsidiaries. The effective tax rate, being the ratio of tax expenses to pre-tax profit for the year, was 17.8%, which remained at the same level as that in 2022.

Non-HKFRS Measure

For the purpose of assessing the performance of the Group, the Company has also presented the underlying profit attributable to shareholders as an additional financial measure, which is not required by, or presented in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"). The Group believes that this non-HKFRS financial measure better reflects the underlying operational performance of the Group by eliminating certain non-operating items which the Group does not consider indicative of the Group's operational performance. However, the presentation of this non-HKFRS financial measure is not intended to be a substitute for, or superior to, the financial information prepared and presented in accordance with HKFRS.

Additional information is provided below to reconcile the profit attributable to shareholders as reported and the underlying profit attributable to shareholders:

	2023	2022
	(RMB'000)	*(RMB'000)*
Profit attributable to shareholders	**5,873,325**	6,091,390
Adjustment for:		
– Fair value loss (gain) on financial assets measured at FVTPL *(note a)*	210,712	(100,905)
– Employee share-based compensation expense *(note b)*	235,092	160,726
– Gains on deemed disposal of partial interests in an associate and a joint venture	(32,861)	(48,065)
– Effect of corresponding income tax	(11,015)	2,579
Underlying profit attributable to shareholders	**6,275,253**	6,105,725

Notes:

(a) Fair value changes on financial assets measured at FVTPL arises from the measurement of the Group's investments in certain partnerships, funds and listed equity securities at fair value.

(b) Out of the total employee share-based compensation expense recognised during the year, RMB193,952,000 (2022: RMB149,780,000) was in respect of share awards granted to selected employees of the Group by Key Honesty Limited (a shareholder of the Company).

Liquidity and Financial Position

In 2023, the Group's operating activities generated a cash inflow of RMB4,179 million (2022: RMB7,627 million). Turnover days of trade receivables (ratio of balance of trade receivables to sales, inclusive of value added tax for sales in China) were 63 days, higher than 44 days in 2022. This was mainly due to the slower settlement by customers during the year, but which was still within the normal credit period. The Group will strengthen its control and management in this aspect. Turnover days of inventories (ratio of balance of inventories to cost of sales) were 124 days, higher than 107 days in 2022. Current ratio was 2.6 as of 31 December 2023, slightly lower than the ratio of 2.7 in the previous year. Capital expenditure for the year amounted to RMB1,863 million, which was mainly used to construct production facilities and improve production efficiency.

The Group's financial position remained solid. As of 31 December 2023, the Group had bank deposits, balances and cash of RMB12,755 million (2022: RMB10,498 million), structured bank deposits of RMB1,077 million (2022: RMB3,575 million) and bank borrowings of RMB450 million (2022: RMB182 million). As of 31 December 2023, gearing ratio (ratio of bank borrowings to total equity) was 1.3% (2022: 0.6%).

The Group's sales are primarily denominated in Renminbi for domestic sales in China and US dollars for export sales. The Group manages its foreign exchange risks by closely monitoring its foreign exchange exposures and mitigating the impact of foreign currency fluctuations by using appropriate hedging arrangements when considered necessary.

Pledge of Assets

As of 31 December 2023, bank deposits of RMB17 million were pledged to secure short-term banking facilities.

Contingent Liabilities

The Group did not have any material contingent liabilities as of 31 December 2023.

Employees

The Group employed a total of approximately 23,500 employees as of 31 December 2023, with a majority of them employed in mainland China. The Group continues to offer competitive remuneration packages, discretionary share options, share awards and bonuses to eligible staff, based on the performance of the Group and the individual employee.

In order to retain and motivate employees for the Group's continual operation and development, Key Honesty Limited, a shareholder of the Company which is wholly-owned by Mr. Cai Dongchen, Chairman of the Board, granted conditional share awards to selected employees of the Group during 2022 in respect of the existing issued shares of the Company held by Key Honesty Limited.

CONSOLIDATION FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Revenue	*3*	**31,450,109**	30,936,904
Cost of sales		**(9,273,423)**	(8,680,490)
Gross profit		**22,176,686**	22,256,414
Other income		**626,271**	603,799
Other gains or losses, net		**(104,936)**	291,383
Selling and distribution expenses		**(9,140,652)**	(10,337,423)
Administrative expenses		**(1,189,648)**	(1,172,842)
Research and development expenses		**(4,830,375)**	(3,986,516)
Other expenses		**(100,743)**	(80,333)
Share of results of associates		**(41,065)**	(42,509)
Share of results of joint ventures		**(13,131)**	27,114
Gains on deemed disposal of partial interests in an associate and a joint venture		**32,861**	48,065
Finance costs		**(25,896)**	(24,891)
Profit before tax		**7,389,372**	7,582,261
Income tax expense	*5*	**(1,316,679)**	(1,350,211)
Profit for the year	*4*	**6,072,693**	6,232,050
Profit for the year attributable to:			
Owners of the Company		**5,873,325**	6,091,390
Non-controlling interests		**199,368**	140,660
		6,072,693	6,232,050
		RMB cents	*RMB cents*
Earnings per share	*6*		
– Basic		**49.47**	51.11
– Diluted		**49.47**	51.11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
Profit for the year	**6,072,693**	6,232,050
Other comprehensive (expense) income:		
Item that will not be reclassified to profit or loss:		
Fair value (loss) gain on financial assets measured at fair value through other comprehensive income, net of income tax	**(6,003)**	13,013
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(17,544)**	50,493
Other comprehensive (expenses) income for the year, net of income tax	**(23,547)**	63,506
Total comprehensive income for the year	**6,049,146**	6,295,556
Total comprehensive income for the year attributable to:		
Owners of the Company	**5,849,778**	6,154,896
Non-controlling interests	**199,368**	140,660
	6,049,146	6,295,556

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**10,416,599**	9,582,060
Right-of-use assets		**1,226,293**	1,394,859
Investment property		**59,432**	62,737
Goodwill		**234,904**	234,904
Intangible assets		**2,198,549**	1,908,112
Interests in associates		**786,085**	685,290
Interests in joint ventures		**682,351**	709,482
Other financial assets		**2,387,159**	2,125,574
Deferred tax assets		**186,776**	113,026
Deposits, prepayments and other receivables	*9*	**619,077**	796,570
Bank deposits		**740,000**	200,000
		19,537,225	17,812,614
Current assets			
Inventories		**3,138,664**	2,554,861
Trade receivables	*8*	**5,869,223**	3,937,967
Deposits, prepayments and other receivables	*9*	**672,655**	693,224
Bills receivables	*10*	**3,685,282**	2,602,551
Amounts due from related companies		**157,313**	195,643
Amounts due from joint ventures		**129,531**	100,048
Structured bank deposits		**1,077,054**	3,574,859
Bank balances, deposits and cash		**12,015,223**	10,298,007
		26,744,945	23,957,160

	Notes	2023 ***RMB'000***	2022 *RMB'000*
Current liabilities			
Trade payables	*11*	**2,426,115**	1,507,986
Other payables	*12*	**5,978,313**	5,355,516
Contract liabilities		**326,205**	799,458
Bills payables	*13*	**415,624**	502,079
Amounts due to related companies		**21,436**	104,938
Amounts due to joint ventures		**35,587**	130,860
Lease liabilities		**149,627**	142,071
Tax liabilities		**379,450**	261,608
Bank borrowings		**450,216**	153,484
		10,182,573	8,958,000
Net current assets		**16,562,372**	14,999,160
Total assets less current liabilities		**36,099,597**	32,811,774
Non-current liabilities			
Other payables	*12*	**399,684**	270,917
Lease liabilities		**107,058**	258,039
Deferred tax liabilities		**574,843**	611,993
Bank borrowings		**—**	28,950
		1,081,585	1,169,899
Net assets		**35,018,012**	31,641,875
Capital and reserves			
Share capital		**10,899,412**	10,899,412
Reserves		**22,303,796**	19,298,122
Equity attributable to owners of the Company		**33,203,208**	30,197,534
Non-controlling interests		**1,814,804**	1,444,341
Total equity		**35,018,012**	31,641,875

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and on the historical cost basis except for certain financial instruments that are measured at fair value at the end of the reporting period.

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of 2023 annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2023 in due course.

- The Company's auditor has reported on the financial statements of the Group for the years ended 31 December 2023 and 2022. The auditor's reports for both years were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. Application of New and Amendments to HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	Income Taxes International Tax Reform-Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. Revenue and Segment Information

	2023	2022
	RMB'000	*RMB'000*
Sale of goods	**31,415,409**	30,751,087
Licence fee income	**34,700**	185,817
	31,450,109	30,936,904

Information reported to executive directors, being collectively the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

The Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

(a) Finished drugs — research and development, manufacture and sale of pharmaceutical products and licence fee income;

(b) Bulk products — manufacture and sale of vitamin C, antibiotic products in bulk powder form; and

(c) Functional food and others — manufacture and sale of functional food products (including caffeine additives, anhydrous glucose, acarbose and vitamin C buccal tablets), provision of healthcare service and others.

Bulk products of anhydrous glucose and acarbose were included in the segment of bulk products (antibiotics and others) segment in prior years. With the aim of strengthening synergy in business development, the Group's operating segments have been reorganised. Bulk products of anhydrous glucose and acarbose are now being managed and reported in the segment of functional food and others. Comparative figures have been restated to conform with current year's presentation.

Sales of goods

Revenue is recognised at a point of time upon control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 90 days upon delivery.

The transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

As at 31 December 2023, all outstanding sales contracts are expected to be fulfilled within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Licence fee income

The Group provides licence of its patented intellectual property ("IP") or commercialisation licence to customers and revenue is recognised when the customers obtain rights to access or use the underlying IP or licence. Licence fee income is recognised at a point in time upon the customer obtains control of IP.

The consideration for license comprises a fixed element (the upfront payment) and variable elements (including but not limited to development milestones and royalties).

For license associated with customers' right to use, upfront fee received is recorded under contract liabilities and recognised as revenue only when customers have ability to use the license and variable consideration is recognised only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

For the year ended 31 December 2023:

	Finished drugs	Bulk products		Functional food and others	Segment total	Eliminations	Consolidated
		Vitamin C	Antibiotics				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
SEGMENT REVENUE							
External sales	**25,602,434**	**1,929,406**	**1,711,922**	**2,171,647**	**31,415,409**	**—**	**31,415,409**
Inter-segment sales	**—**	**11,960**	**299,812**	**300,250**	**612,022**	**(612,022)**	**—**
Licence fee income	**34,700**	**—**	**—**	**—**	**34,700**	**—**	**34,700**
TOTAL REVENUE	**25,637,134**	**1,941,366**	**2,011,734**	**2,471,897**	**32,062,131**	**(612,022)**	**31,450,109**
SEGMENT PROFIT	**6,699,897**	**4,950**	**154,346**	**561,525**	**7,420,718**		**7,420,718**
Unallocated income							**414,636**
Unallocated expenses							**(398,751)**
Share of results of associates							**(41,065)**
Share of results of joint ventures							**(13,131)**
Gains on deemed disposal of partial interests in an associate and a joint venture							**32,861**
Finance costs							**(25,896)**
Profit before tax							**7,389,372**

For the year ended 31 December 2022 (restated):

	Finished drugs	Bulk products		Functional food and others	Segment total	Eliminations	Consolidated
		Vitamin C	Antibiotics				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
SEGMENT REVENUE							
External sales	24,334,250	2,529,126	1,502,821	2,384,890	30,751,087	–	30,751,087
Inter-segment sales	–	4,285	200,632	182,338	387,255	(387,255)	–
Licence fee income	185,817	–	–	–	185,817	–	185,817
TOTAL REVENUE	24,520,067	2,533,411	1,703,453	2,567,228	31,324,159	(387,255)	30,936,904
SEGMENT PROFIT	6,067,844	442,574	114,155	647,424	7,271,997		7,271,997
Unallocated income							535,440
Unallocated expenses							(232,955)
Share of results of associates							(42,509)
Share of results of joint ventures							27,114
Gains on deemed disposal of partial interests in an associate and a joint venture							48,065
Finance costs							(24,891)
Profit before tax							7,582,261

Segment profit represents the profit earned by each segment without allocation of interest income, fair value changes on structured bank deposits, fair value changes on financial assets measured at fair value through profit or loss ("FVTPL"), central administrative expenses, share of results of associates and joint ventures, gains on deemed disposal of partial interests in an associate and a joint venture, and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

The executive directors makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the executive directors do not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Geographical information

Revenue from the external customers by geographical market (irrespective of the origin of the goods) based on the location of customers is presented below:

	2023	2022
	RMB'000	*RMB'000*
Mainland China (country of domicile)	**27,183,715**	26,139,499
Other Asian regions	**1,582,878**	1,735,668
North America	**881,801**	1,176,218
Europe	**1,276,883**	1,268,015
Others	**524,832**	617,504
	31,450,109	30,936,904

The Group's operations are substantially based in the Mainland China and majority of the Group's non-current assets are located in the Mainland China. Therefore, no further analysis of geographical information is presented.

None of the Group's customers contributed over 10% of the total revenue of the Group for both years.

4. Profit for the Year

	2023	2022
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' and chief executive's remuneration		
– salaries, wages and other benefits	**4,230,760**	4,307,962
– contribution to retirement benefit schemes	**241,560**	254,686
– employee share-based compensation benefits *(note a)*	**235,092**	160,726
Total staff costs	**4,707,412**	4,723,374
Depreciation of property, plant and equipment	**867,252**	802,592
Depreciation of right-of-use assets	**164,077**	152,869
Depreciation of investment property	**3,305**	2,126
Amortisation of intangible assets	**82,856**	90,352
Total depreciation and amortisation	**1,117,490**	1,047,939
Auditor's remuneration	**7,493**	7,806
Government grant income (included in other income)	**(215,702)**	(195,005)
Impairment losses recognised (reversed) under ECL loss model (included in other gains or losses)	**18,412**	(25,734)
Impairment loss recognised on intangible assets (included in other gains or losses)	**42,315**	72,105
Interest income (included in other income)	**(259,881)**	(242,528)
Fair value loss (gain) on financial assets measured at FVTPL (included in other gains or losses)	**210,712**	(100,905)
Fair value gain on structured bank deposits (included in other gains or losses)	**(87,228)**	(117,435)
Loss on disposal of property, plant and equipment (included in other gains or losses)	**22,226**	7,361
Net foreign exchange gains (included in other gains or losses)	**(102,531)**	(118,127)

Notes:

(a) The amount mainly included employee share-based compensation expenses of RMB42,030,000 (2022: RMB6,904,000) in respect of share awards and share options granted by the Company and RMB193,952,000 (2022: RMB149,780,000) in respect of share awards granted by a shareholder of the Company involving the existing shares of the Company held by the shareholder.

(b) Cost of inventories recognised as an expense approximated cost of sales as shown in the consolidated income statement for the years ended 31 December 2023 and 2022.

5. Income Tax Expense

	2023	2022
	RMB'000	*RMB'000*
Current taxation:		
– PRC Enterprise Income Tax	**1,279,724**	1,189,308
– PRC withholding tax on dividends distributed by subsidiaries	**136,017**	133,187
– Overseas taxation	**11,250**	12,965
	1,426,991	1,335,460
Deferred taxation	**(110,312)**	14,751
	1,316,679	1,350,211

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits for both years.

The standard tax rate of the Company's PRC subsidiaries is 25% under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law. Certain subsidiaries of the Company are qualified as High and New Technology Enterprises, and they are subject to a preferential tax rate of 15% for a period of 3 years up to 2026.

Under the EIT Law, dividends distributed by a company established in the PRC to foreign investor with respect to profits earned from 1 January 2008 onwards are subject to a withholding tax of 10%. The tax rate will be reduced to 5% if such foreign investors meet certain conditions specified in the relevant tax regulations.

Taxation arising in other jurisdictions is calculated at the rates prevailing in relevant jurisdictions.

6. Earnings Per Share

The calculation of the basic and diluted earnings per share is as follows:

	2023	2022
Profit attributable to owners of the Company *(RMB'000)*	**5,873,325**	6,091,390
Weighted average number of ordinary shares for the purpose of basic earnings per share *(in '000)*	**11,872,021**	11,917,204
Effect of dilutive potential ordinary shares:		
Share awards	**1,010**	1,319
Weighted average number of ordinary shares for the purpose of diluted earnings per share *('000)*	**11,873,031**	11,918,523

The weighted average number of ordinary shares for the calculation of basic earnings per share for both years has been adjusted for the effects of the shares held by the trustee under the share award scheme of the Company.

7. Dividends

	2023	2022
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
Interim dividend paid:		
2023: HK14 cents (approximately RMB12.8 cents) (2022: HK10 cents (approximately RMB9.0 cents)) per share	**1,529,135**	1,079,240
Final dividend paid:		
2022: HK11 cents (approximately RMB10.1 cents) (2021: HK10 cents (approximately RMB8.6 cents)) per share	**1,207,225**	1,020,529
Less: dividend for shares held by share award scheme	**(10,107)**	(2,808)
	2,726,253	2,096,961

The final dividend for current year proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

8. Trade Receivables

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**5,911,360**	3,961,692
Less: allowance for ECL	**(42,137)**	(23,725)
	5,869,223	3,937,967

As at 1 January 2022, trade receivables (net of allowance under ECL model) from contracts with customers amounted to RMB3,309,148,000.

The Group allows a general credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables (net of allowance under ECL model) at the end of the reporting period presented based on the invoice dates which approximated the respective revenue recognition dates:

	2023	2022
	RMB'000	*RMB'000*
0 to 90 days	**5,272,089**	3,664,707
91 to 180 days	**564,976**	261,185
181 to 365 days	**29,364**	9,562
More than 365 days	**2,794**	2,513
	5,869,223	3,937,967

Trade receivables with aggregate carrying amount of RMB597,134,000 (2022: RMB273,260,000) are past due as at the reporting date. Out of the past due balances, RMB32,158,000 (2022: RMB12,075,000) has been past due 90 days or more and is not considered as in default because there has not been significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

9. Deposits, Prepayments and Other Receivables

	2023	2022
	RMB'000	*RMB'000*
Prepayments for raw materials and research and development expenses	**175,305**	207,224
Prepayment for acquisition of intangible assets	**—**	150,000
Deposits paid for property, plant and equipments and right-of-use assets	**619,077**	646,570
Other taxes recoverable	**210,162**	189,037
Others	**287,188**	296,963
	1,291,732	1,489,794
Analysed as:		
Current	**672,655**	693,224
Non-current	**619,077**	796,570
	1,291,732	1,489,794

10. Bills Receivables

All bills receivables of the Group are with a maturity period of less than 365 days (2022: less than 365 days) and not yet due at the end of the reporting period. The management considers the default rate is low based on historical information, experience and forward looking information that is available without undue cost of effort.

11. Trade Payables

The following is an aged analysis of trade payables at the end of the reporting period presented based on the invoice dates:

	2023	2022
	RMB'000	*RMB'000*
0 to 90 days	**1,994,671**	1,333,746
91 to 180 days	**203,696**	51,978
More than 180 days	**227,748**	122,262
	2,426,115	1,507,986

The general credit period on purchases of goods is up to 90 days (2022: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

12. Other Payables

	2023	2022
	RMB'000	*RMB'000*
Other taxes payable	**181,502**	181,238
Payables arising from construction and acquisition of property, plant and equipment	**1,027,366**	818,967
Deferred government grants	**509,226**	411,958
Salaries, wages and staff welfare payable	**660,299**	546,927
Selling expense payable	**3,292,158**	3,049,003
Research and development expense payable	**264,913**	126,516
Others	**442,533**	491,824
	6,377,997	5,626,433
Analysed as:		
Current	**5,978,313**	5,355,516
Non-current	**399,684**	270,917
	6,377,997	5,626,433

13. Bills Payables

All bills payables of the Group are aged within 365 days (2022: 365 days) and not yet due at the end of the reporting period.

SUSTAINABLE DEVELOPMENT STRATEGIES

The Group will continue to pursue the development strategies of (i) active development of innovative drug business; (ii) continuation of products internationalisation; and (iii) consolidation of leadership in bulk drug business in order to achieve long-term sustainable growth.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions in the Corporate Governance Code set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2023.

REVIEW OF ANNUAL RESULTS

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2023 have been reviewed by the Audit Committee of the Company and audited by the Company's auditor.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 22 May 2024 to Tuesday, 28 May 2024, both days inclusive, during which period no transfer of shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Tuesday, 28 May 2024, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21 May 2024.

The register of members of the Company will be closed from Tuesday, 4 June 2024 to Wednesday, 5 June 2024, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 3 June 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Date	Number of shares repurchased	Highest purchase price per share	Lowest purchase price per share	Aggregate consideration (before expenses)	
		HK$	*HK$*	*HK$*	*RMB (equivalent)*
March 2023	24,560,000	7.80	7.41	187,202,000	163,877,000
April 2023	5,440,000	7.75	7.61	41,673,000	36,481,000
	30,000,000			228,875,000	200,358,000

The shares repurchased were cancelled upon delivery of the share certificates in April 2023.

The repurchase of shares was made for the benefit of the shareholders with a view to enhancing the earnings per share as well as maximizing shareholders' return.

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year.

By order of the Board
CAI Dongchen
Chairman

Hong Kong, 20 March 2024

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. ZHANG Cuilong, Mr. WANG Zhenguo, Mr. PAN Weidong, Mr. WANG Huaiyu, Dr. LI Chunlei, Dr. WANG Qingxi, Mr. CHAK Kin Man and Dr. JIANG Hao as executive directors; and Mr. WANG Bo, Mr. CHEN Chuan, Prof. WANG Hongguang, Mr. AU Chun Kwok Alan, Mr. LAW Cheuk Kin Stephen and Ms. LI Quan as independent non-executive directors.